The Issue is meant only for QIBs on a private placement basis and is not an offer to the public or to any other class of investors to purchase the Equity Shares. This Preliminary Placement Document is not an offer to sell any Equity Shares and is not soliciting an offer to subscribe or buy the Equity Shares in any jurisdiction where such offer or sale is not permitted. It is being issued for the sole purpose of information or discussion relating to the Equity Shares that may be Allotted through the Placement Document.

punjab national bank
...the name you can BANK upon !

PUNJAB NATIONAL BANK

(Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended ("**Banking Companies Act**"), as Punjab National Bank on July 19, 1969. On April 13, 1987, the Head Office of our Bank was changed from 5, Sansad Marg, New Delhi 110 001 to 7, Bhikaji Cama Place, New Delhi 110 066. On November 6, 2017, the Head Office of our Bank was changed to Plot No.4, Sector 10, Dwarka, New Delhi 110 075.)

Telephone: +91 11 2804 4866; **Website**: www.pnbindia.in; **Email**: hosd@pnb.co.in

Punjab National Bank (the "**Issuer**" or the "**Bank**") is issuing up to [●] equity shares of face value of ₹ 2 each (the "**Equity Shares**") at a price of ₹ [●] per Equity Share, including a premium of ₹ [●] per Equity Share, aggregating up to ₹ [●] crore (the **"Issue"**).

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI ICDR REGULATIONS"), THE BANKING COMPANIES ACT, THE BANKING REGULATION ACT, 1949, AS AMENDED (THE "BANKING REGULATION ACT"), THE PUNJAB NATIONAL BANK (SHARES AND MEETINGS) REGULATIONS, 2000, AS AMENDED (THE "PUNJAB NATIONAL BANK REGULATIONS") AND THE NATIONALISED BANKS (MANAGEMENT AND MISCELLANEOUS PROVISIONS) SCHEME, 1970 (THE "NATIONALISED BANKS SCHEME")

THE ISSUE AND DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED UNDER REGULATION 2(1)(zd) OF THE SEBI ICDR REGULATIONS IN RELIANCE UPON CHAPTER VIII OF THE SEBI ICDR REGULATIONS. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN TO QIBs, AS DEFINED IN THE SEBI ICDR REGULATIONS.

YOU ARE NOT AUTHORISED TO AND MAY NOT (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "RISK FACTORS" BEGINNING ON PAGE 43 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT.

Invitations for subscription, offers and allotment of the Equity Shares shall only be made pursuant to this Preliminary Placement Document, the Placement Document, the Application Form (as defined hereinafter) and the Confirmation of Allocation Note (as defined hereinafter). The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of the Bank to any person, other than QIBs and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorised and prohibited. QIBs which are 'persons resident outside India' under the FEMA (as defined hereinafter) are only permitted to participate in the Issue, if they are Eligible FPIs (as defined hereinafter) and are applying through the 'portfolio investment scheme' under Schedule 2 to FEMA 17 (as defined hereinafter), subject to compliance with all applicable laws and such that (1) the shareholding of the FPIs (as defined hereinafter), including individual limits, does not exceed specified limits as prescribed under applicable laws; and (2) the aggregate shareholding of all non-resident investors does not exceed 20.00% of the total paid-up share capital of the Bank. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document. See "*Issue Procedure*" beginning on page 223.

The information on the Bank's website or any website directly or indirectly linked to the Bank's website does not form part of this Preliminary Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

The Bank's outstanding Equity Shares are listed on the BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**", together with BSE, the "**Stock Exchanges**"). The closing price of the Equity Shares on BSE and NSE on December 8, 2017 was ₹ 172.55 and ₹ 172.70 per Equity Share, respectively. In-principle approvals under Regulation 28(1) of the SEBI Listing Regulations (as defined hereinafter) for listing of the Equity Shares have been received from BSE and NSE on December 11, 2017. Applications to the Stock Exchanges will be made for obtaining listing and trading approvals for the Equity Shares offered through the Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued in the Issue to trading on the Stock Exchanges should not be taken as an indication of the merits of the business of the Bank or the Equity Shares.

A copy of this Preliminary Placement Document has been delivered to the Stock Exchanges. The information in this Preliminary Placement Document is incomplete and subject to changes. This Preliminary Placement Document has not been and will not be registered as a prospectus with any registrar of companies ("**RoC**") in India, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction. This Preliminary Placement Document and the Placement Document will not be registered as a private placement offer letter with any RoC in India. This Preliminary Placement Document has not been reviewed by SEBI, Reserve Bank of India ("**RBI**"), the Stock Exchanges or any other regulatory or listing authority and is intended only for use by the QIBs.

THE BANK HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "U.S. Securities Act") or any other applicable state securities laws of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (i) in the United States only to persons who are "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Preliminary Placement Document as "U.S. QIBs") pursuant to Section 4(a)(2) of the U.S. Securities Act; for the avoidance of doubt, the term U.S. QIB does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Preliminary Placement Document as QIBs or Qualified Institutional Buyers) and (ii) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales are made.

Each purchaser will be deemed to have made the applicable representations, agreements and acknowledgments as described under "***Representations by Investors***" and "***Eligibility and Transfer Restrictions***" beginning on pages 5 and 241, respectively. For further information about transfer restrictions applicable to the Equity Shares, see **"*Selling Restrictions*"** and **"*Eligibility and Transfer Restrictions*"** beginning on pages 235 and 241, respectively.

This Preliminary Placement Document is an advertisement and is not a prospectus for the purposes of EU Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU and to the extent applicable, Prospectus Regulation (EU) 2017/1129).

This Preliminary Placement Document is dated December 11, 2017.

BOOK RUNNING LEAD MANAGERS

kotak Investment Banking	BofA Merrill Lynch	CREDIT SUISSE	Goldman Sachs	HSBC	Morgan Stanley	pnb investment services ltd.
Kotak Mahindra Capital Company Limited	**DSP Merrill Lynch Limited**	**Credit Suisse Securities (India) Private Limited**	**Goldman Sachs (India) Securities Private Limited**	**HSBC Securities And Capital Markets (India) Private Limited**	**Morgan Stanley India Company Private Limited**	**PNB Investment Services Limited***

PNB Investment Services Limited, a subsidiary of the Bank shall be involved only in marketing of the Issue in compliance with Regulation 21A of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, as amended ("SEBI Merchant Bankers Regulations").

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NOTICE TO INVESTORS

The Bank has furnished and accepts full responsibility for all of the information contained in this Preliminary Placement Document and confirms that to its best knowledge and belief, having made all reasonable enquiries, this Preliminary Placement Document contains all information with respect to the Bank and the Equity Shares which is material in the context of the Issue. The statements contained in this Preliminary Placement Document relating to the Bank and the Equity Shares are, in all material respects, true and accurate and not misleading, and the opinions and intentions expressed in this Preliminary Placement Document with regard to the Bank and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to the Bank. There are no other facts in relation to the Bank and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, the Bank has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

The Book Running Lead Managers have not separately verified the information contained in this Preliminary Placement Document (financial, legal or otherwise). None of the Book Running Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Running Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Equity Shares or their issue or distribution. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on either the Book Running Lead Managers or on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of the Bank and the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue.

No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Bank or by or on behalf of the Book Running Lead Managers. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares to be issued pursuant to the Issue have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction, including the United States Securities and Exchange Commission ("SEC"), any other federal or state securities authorities in the United States, the securities authorities of any non-United States jurisdiction and any other United States or non-United States regulatory authority. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable state securities laws of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (i) in the United States only to persons who are "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A") and referred to in this Preliminary Placement Document as "U.S. QIBs") pursuant to Section 4(a)(2) of the U.S. Securities Act; (for the avoidance of doubt, the term U.S. QIB does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Preliminary Placement Document as QIBs or Qualified Institutional Buyers) and (ii) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act ("Regulation S") and the applicable laws of the jurisdiction where those offers and sales are made.

The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of the Bank to any person, other than QIBs specified by the Book Running Lead Managers or their representatives, and those retained by such QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and make no copies of this Preliminary Placement Document or any offering material in connection with the Equity Shares.

Each purchaser of Equity Shares that is located within the United States will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S or in a transaction otherwise exempt from the registration requirements of the U.S. Securities Act. Each other purchaser of Equity Shares will be required to represent and agree, among other things, that such purchaser is acquiring the Issue Shares in an "offshore transaction" in accordance with Regulation S. Purchasers of the Equity Shares will be deemed to make the representations set forth in "***Representations by Investors***", "***Selling Restrictions***" and "***Eligibility and Transfer Restrictions***" beginning on pages 5, 235 and 241, respectively.

The distribution of this Preliminary Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by the Bank or the Book Running Lead Managers which would permit an issue of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India where actions for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any Issue materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction that would require registration of the Equity Shares in such country or jurisdiction. See, "***Eligibility and Transfer Restrictions***" beginning on page 241.

In the United States, this Preliminary Placement Document is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Preliminary Placement Document has been provided by the Bank. Distribution of this Preliminary Placement Document to any person other than the offeree specified by the Book Running Lead Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without prior written consent of the Bank, is prohibited. Any reproduction or distribution of this Preliminary Placement Document in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited.

In making an investment decision, investors must rely on their own examination of the Bank and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither the Bank, nor the Book Running Lead Managers are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Bank under Chapter VIII of the SEBI ICDR Regulations and is not prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities. Each purchaser of the Equity Shares also acknowledges that it has been afforded an opportunity to request from the Bank and review information pertaining to the Bank and the Equity Shares.

The information on the Bank's website or any website directly or indirectly linked to the Bank's website or the website of the Book Running Lead Managers, does not constitute or form part of this Preliminary Placement Document. This Preliminary Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents. All references herein to "you" or "your" is to the prospective investors in the Issue.

NOTICE TO INVESTORS IN THE UNITED STATES

THE EQUITY SHARES OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR ANY OTHER APPLICABLE STATE SECURITIES LAWS OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE EQUITY SHARES ARE BEING OFFERED AND SOLD (A) IN THE UNITED STATES ONLY TO PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT AND REFERRED TO IN THIS PRELIMINARY PLACEMENT DOCUMENT AS "**U.S. QIBs**") (FOR THE AVOIDANCE OF DOUBT, THE TERM U.S. QIB DOES NOT REFER TO A CATEGORY OF INSTITUTIONAL INVESTOR DEFINED UNDER APPLICABLE INDIAN REGULATIONS AND

REFERRED TO IN THIS PRELIMINARY PLACEMENT DOCUMENT AS QIBS OR QUALIFIED INSTITUTIONAL BUYERS) PURSUANT TO SECTION 4(a)(2) UNDER THE U.S. SECURITIES ACT, AND (B) OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE LAWS OF THE JURISDICTION WHERE THOSE OFFERS AND SALES ARE MADE. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON TRANSFER OF THE EQUITY SHARES, SEE "**ELIGIBILITY AND TRANSFER RESTRICTIONS**" BEGINNING ON PAGE 241.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "**SEC**") OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PRELIMINARY PLACEMENT DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED 1955, AS AMENDED ("RSA 421-B"), NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Preliminary Placement Document has been prepared on the basis that all offers of Equity Shares in any Member State of the European Economic Area ("**EEA**") which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus for offers of the Equity Shares. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Equity Shares which are the subject of the placement contemplated in this Preliminary Placement Document may only do so in circumstances in which no obligation arises for the Bank or any of the Book Running Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive. Neither the Bank nor the Book Running Lead Managers have authorized, nor do they authorize, the making of any offer of the Equity Shares in circumstances in which an obligation arises for the Bank or the Book Running Lead Managers to publish a prospectus for such offer. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU and to the extent applicable, Prospectus Regulation (EU) 2017/1129), and includes any relevant implementing measure in the Relevant Member State.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Preliminary Placement Document is only being distributed to and is only directed at: persons who (1) are outside the United Kingdom; (2) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); (3) are persons falling within Article 49(2)(a) to (d) of the Order (high net worth companies, unincorporated associations, etc.); or (4) are persons to whom this Preliminary Placement Document may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this Preliminary Placement Document or any of its contents. Any investment or investment activity to which this Preliminary Placement Document relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information to investors in certain other jurisdictions, see "***Selling Restrictions***" and "***Eligibility and Transfer Restrictions***" beginning on pages 235 and 241, respectively.

REPRESENTATIONS BY INVESTORS

By bidding for and / or subscribing to any Equity Share under the Issue, you are deemed to have represented to us and the Book Running Lead Managers, and acknowledged and agreed as follows:

(i) you are a "QIB" as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations, having a valid and existing registration under the applicable laws and regulations of India and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated (as defined hereinafter) to you for the purposes of your business in accordance with Chapter VIII of the SEBI ICDR Regulations, and undertake to comply with the SEBI ICDR Regulations and all other applicable laws including any reporting obligations;

(ii) if you are a resident in any other country other than India, that you are permitted by all applicable laws to acquire the Equity Shares;

(iii) if you are not a resident of India, but a QIB, you are an FPI (other than a Category III FPI) having a valid and existing registration with SEBI under the applicable laws in India applying through the portfolio investment route, and are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 ("**FEMA 17**"), and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities. You acknowledge that issue of the Equity Shares to a single FPI or an investor group as referred to in the SEBI FPI Regulations (together with any Equity Shares already held by the FPI) should not exceed 10.00% of the post-Issue paid up capital of the Bank. You confirm that you are not an FVCI;

(iv) you will make all necessary filings with appropriate regulatory authorities, including the RBI, as required pursuant to applicable laws;

(v) if you are Allotted (as defined hereinafter) Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment (as defined hereinafter), sell the Equity Shares so acquired except on the the floor of the Stock Exchanges. See "***Eligibility and Transfer Restrictions***" beginning on page 241;

(vi) you are aware that the Equity Shares have not been and will not be registered under the Companies Act, SEBI ICDR Regulations or under any other law in force in India. This Preliminary Placement Document has not been verified or affirmed by RBI, SEBI, the Stock Exchanges or any other regulatory or listing authority and will not be filed with any RoC, and is intended only for use by QIBs. This Preliminary Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of the Bank and the Stock Exchanges;

(vii) you are entitled to subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities;

(viii) you are aware that additional requirements would be applicable if you are in jurisdictions other than India, as set forth under sections "***Selling Restrictions***" and "***Eligibility and Transfer Restrictions***" beginning on pages 235 and 241, respectively, and you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in this Preliminary Placement Document) and will honour such obligations;

(ix) you confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by the Bank or its agents ("**Bank's Presentations**") with regard to the Bank, the Equity Shares or the Issue; or (ii) if you have participated in or attended any Bank's Presentations: (a) you understand and acknowledge that the Book Running Lead Managers may not have knowledge of the statements that the Bank or its agents may have made at such Bank's Presentations and are therefore unable to determine whether the information provided to you at such Bank's Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Book

Running Lead Managers have advised you not to rely in any way on any information that was provided to you at such Bank's Presentations; and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

(x) neither the Bank, nor the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents, associates, or affiliates is making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not, up to the Allotment, be a client of any of the Book Running Lead Managers and that the Book Running Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates have no duties or responsibilities to you for providing the protection afforded to their clients or for providing advice in relation to the Issue and are in no way acting in a fiduciary capacity with you;

(xi) you are aware that if you are Allotted more than 5.00% of the Equity Shares in the Issue, the Bank shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges, and they will make the same available on their websites and you consent to such disclosures;

(xii) all statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding the Bank's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Bank's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and environment in which the Bank will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this Preliminary Placement Document. The Bank assumes no responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

(xiii) you have been provided a serially numbered copy of this Preliminary Placement Document and have read this Preliminary Placement Document in its entirety, including, in particular, the section "***Risk Factors***" beginning on page 43;

(xiv) you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the Allotment of the same shall be on a discretionary basis;

(xv) you have made, or been deemed to have made, as applicable, the representations, warranties, acknowledgements and undertakings as set forth under "***Eligibility and Transfer Restrictions***" beginning on page 241;

(xvi) you understand that the Equity Shares are being offered in a transaction not involving any public offering within the meaning of the U.S. Securities Act, and that the Equity Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States, except in reliance on an exemption from the registration requirements of the U.S. Securities Act;

(xvii) if you are within the United States, you are a U.S. QIB who is or are acquiring the Equity Shares for your own account or for the account of an institutional investor who also meets the requirements of a U.S. QIB, for investment purposes only, and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate;

(xviii) if you are outside the United States, you are purchasing the Equity Shares in an offshore transaction in compliance with Regulation S, and are not our affiliate or a person acting on behalf of such an affiliate;

(xix) you are not acquiring or subscribing for the Equity Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the U.S. Securities Act) or directed selling efforts (as defined in Regulation S) and you understand and agree that offers and sales (a) in the United States, are being made in reliance on an exemption to the registration requirements of the U.S. Securities

Act provided by Section 4(a)(2) under the U.S. Securities Act or Rule 144A or another available exemption from registration under the U.S. Securities Act and the Equity Shares may not be eligible for resale under Rule 144A thereunder; and (b) outside the United States, are being made in offshore transactions in compliance with Regulation S. You understand and agree that the Equity Shares are transferable only in accordance with the restrictions described under the sections "***Selling Restrictions***" and "***Eligibility and Transfer Restrictions***" beginning on pages 235 and 241, respectively;

(xx) that in making your investment decision, (i) you have relied on your own examination of the Bank and the terms of the Issue, including the merits and risks involved, (ii) you have made and will continue to make your own assessment of the Bank, the Equity Shares and the terms of the Issue, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws, (iv) you have relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by the Bank or any other party; and (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Bank and the Equity Shares;

(xxi) you are a sophisticated investor and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares; (ii) will not look to the Bank and / or the Book Running Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates for all or part of any such loss or losses that may be suffered; and (iii) are able to sustain a complete loss on the investment in the Equity Shares; (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute;

(xxii) the Bank or the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents, associates or affiliates have not provided you with any tax advice or otherwise made any representations regarding the tax consequences of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice and will not rely on the Book Running Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates or the Bank when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against the Book Running Lead Managers or the Bank with respect to the tax aspects of the Equity Shares or the Issue or as a result of any tax audits by tax authorities, wherever situated;

(xxiii) that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each managed account; and to make the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

(xxiv) you are not a promoter of the Bank (as defined under the SEBI ICDR Regulations) and are not a person related to the Promoter, directly or indirectly and your Application does not directly or indirectly represent the Promoter or promoter group (as defined under the SEBI ICDR Regulations) of the Bank;

(xxv) you have no rights under a shareholders' agreement or voting agreement with the Promoter or any person related to the Promoter, no veto rights or right to appoint any nominee director on the Board of the Bank other than the rights acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;

(xxvi) you have no right to withdraw your Application after the Bid / Issue Closing Date (as defined hereinafter);

(xxvii) you are eligible to apply and hold Equity Shares so Allotted and together with any securities of the Bank held by you prior to the Issue. You further confirm that your holding upon the issue and allotment of the Equity Shares shall not exceed the level permissible as per any regulation applicable to you;

(xxviii) the Application Form submitted by you would not at any stage directly or indirectly result in triggering a requirement to make public announcement to acquire Equity Shares in accordance with the SEBI Takeover Regulations (as defined hereinafter);

(xxix) to the best of your knowledge and belief your aggregate holding together with other prospective Investors in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50.00% of the Issue Size. For the purposes of this representation:

(a) the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

(b) 'control' shall have the same meaning as is assigned to it by Clause 1(e) of Regulation 2 of the SEBI Takeover Regulations (as defined hereinafter).

(xxx) you shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;

(xxxi) you are aware and understand that the Book Running Lead Managers have entered into the Placement Agreement with the Bank whereby the Book Running Lead Managers have, subject to the satisfaction of certain conditions set out therein, undertaken to use its reasonable endeavours to seek to procure subscription for the Equity Shares on the terms and conditions set forth therein;

(xxxii) that the contents of this Preliminary Placement Document are exclusively the responsibility of the Bank and that neither the Book Running Lead Managers, nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of the Bank and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By participating in the Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Book Running Lead Managers or the Bank or any other person and neither the Book Running Lead Managers, nor the Bank or any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

(xxxiii) that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the Book Running Lead Managers or the Bank and neither the Book Running Lead Managers nor the Bank will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement that you have obtained or received;

(xxxiv) you understand that the Equity Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the existing Equity Shares, including the right to receive all dividend and other distributions declared, made or paid in respect of the Equity Shares after the date of issue of the Equity Shares;

(xxxv) that each of the representations, warranties, acknowledgements and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue;

(xxxvi) you agree to indemnify and hold the Bank and the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this section. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares by or on behalf of the managed accounts;

(xxxvii) that the Bank, the Book Running Lead Managers, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Book Running Lead Managers on their own behalf and on behalf of the Bank and are irrevocable;

(xxxviii) that you are eligible to invest in India and in the Equity Shares under applicable law, including the FEMA 17 and have not been prohibited by SEBI from buying, selling or dealing in securities;

(xxxix) that you understand that none of the Book Running Lead Managers has any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us of any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

(xl) you are aware that in accordance with Section 3(2D) of the Banking Companies Act, shareholding of non-residents in a corresponding new bank cannot exceed 20.00% of its paid up capital and in accordance with Section 3(2E) of the Banking Companies Act, no shareholder, other than the Government shall be entitled to exercise voting rights in excess of 10.00% of the total voting rights of all the shareholders of the corresponding new bank;

(xli) that you are aware that (i) applications for in-principle approval, in terms of Regulation 28(1) of the SEBI Listing Regulations, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and such approval has been received from the Stock Exchanges, and (ii) the application for the final listing and trading approval will be made only after Allotment. There can be no assurance that the final approvals for listing of the Equity Shares will be obtained in time or at all. The Bank shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

(xlii) you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares; and

(xliii) any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of the Republic of India and the courts at New Delhi, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations (as defined hereinafter), an FPI (other than Category III foreign portfolio investors and unregulated broad based funds, which are classified as Category II FPI by virtue of their investment manager being appropriately regulated), including the affiliates of the Book Running Lead Managers, may issue, subscribe or otherwise deal in offshore derivative instruments as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying and all such offshore derivative instruments are referred to herein as "**P-Notes**" for which they may receive compensation from the purchasers of such P-Notes. These P-Notes may be issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities in the countries of their incorporation or establishment subject to compliance with "know your client" requirements. P-Notes shall not be issued to or transferred to persons who are resident Indians or non-resident Indians and to entities that are beneficially owned by resident Indians or non-resident Indians. An FPI must ensure that the P-Notes are issued in compliance with all applicable laws including Regulation 4 and Regulation 22 of the SEBI FPI Regulations and circular no. CIR/IMD/FIIC/20/2014 dated November 24, 2014 issued by SEBI. P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of the Bank and do not constitute any obligations of, claims on, or interests in the Bank. The Bank has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to the Bank. The Bank and the Book Running Lead Managers do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Book Running Lead Managers and do not constitute any obligations of, or claims on, the Book Running Lead Managers. FPI affiliates (other than Category III FPIs and unregulated broad based funds which are classified as Category II FPI by virtue of their investment manager being appropriately regulated) of the Book Running Lead Managers may purchase, to the extent permissible under law, Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

A. warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Placement Document;

B. warrant that the Bank's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

C. take any responsibility for the financial or other soundness of the Bank, its Promoter, its management or any scheme or project of the Bank; and

it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain Conventions

In this Preliminary Placement Document, unless otherwise specified or implied, references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors", "prospective investors" and "potential investor" are to the prospective investors of Equity Shares in the Issue and references to the "Issuer", "Bank" or "our Bank" are to the Punjab National Bank, on a standalone basis. All references to the "Group", "we", "us" or "our" are to the Punjab National Bank, its Subsidiaries, Associates and Joint Venture on a consolidated basis, unless otherwise specified or the context otherwise indicates or implies.

References in this Preliminary Placement Document to "India" are to the Republic of India and its territories and possessions and the "Government", "Indian Government", "GoI", the "Central Government" or the "state government" are to the Government of India, or the governments of any state in India, as applicable. All references to "U.K." contained in this Preliminary Placement Document are to the United Kingdom. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions, including any state of the United States of America, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands and the District of Columbia. References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable.

Unless stated otherwise, all references to page numbers in this Preliminary Placement Document are to the page numbers of this Preliminary Placement Document.

Financial and Other Information

The following financial statements of the Bank have been disclosed in this Preliminary Placement Document :

1. the limited reviewed unaudited condensed standalone balance sheet of the Bank as at September 30, 2017 and September 30, 2016 and the related limited reviewed unaudited condensed standalone profit and loss account and condensed cash flow statement for the six month periods ended September 30, 2017 and September 30, 2016, along with select schedules and explanatory notes thereto; and

2. the audited standalone and consolidated balance sheets of the Bank as at March 31, 2017, March 31, 2016 and March 31, 2015 and the related audited standalone and consolidated profit and loss account and the cash flow statements for the years ended March 31, 2017, March 31, 2016 and March 31, 2015, along with the schedules and notes thereto.

In this Preliminary Placement Document, references to "USD", "$", "U.S.$" and "U.S. dollars" are to the legal currency of the United States and references to, "₹", "Rs.", "INR" and "Rupees" are to the legal currency of India.

References to "lakhs" and "crores" in this Preliminary Placement Document are to the following:

A. one lakh represents 100,000 (one hundred thousand);

B. ten lakhs represents 1,000,000 (one million); and

C. one crore represents 10,000,000 (ten million).

Unless specified otherwise, all figures in this Preliminary Placement Document are expressed in crores.

The financial statements are prepared in accordance with Indian GAAP, as applicable to banks, guidelines issued by the RBI from time to time, practices generally prevailing in the banking industry in India and the applicable standards on accounting.

The Bank prepares its financial statements in Rupees in accordance with Indian GAAP which differ in certain important aspects from U.S. GAAP and other accounting principles and standards on auditing with which prospective investors may be familiar in other countries. We have not attempted to quantify the impact of U.S. GAAP on the financial data included in this Preliminary Placement Document, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited. See "***Risk Factors – Significant differences exist between Indian GAAP used to prepare our financial statements and other accounting principles, such as U.S. GAAP and IFRS, with which investors may be more familiar.***" beginning on page 71.

In addition, the Ministry of Corporate Affairs (the "**MCA**"), in its press release dated January 18, 2016, issued a roadmap for implementation of Ind-AS converged with IFRS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies, which was subsequently confirmed by the RBI through its circular dated February 11, 2016. These regulations require the Bank to prepare Ind-AS based financial statements for accounting period commencing April 1, 2018 with comparative financial statements for the accounting period ending March 31, 2018. The nature and extent of the possible impact of Ind-AS on our financial reporting and accounting practices is currently uncertain, and there can be no assurance that such impact will not be significant. On June 23, 2016, RBI directed all scheduled commercial banks (excluding regional rural banks) to submit proforma Ind-AS financial statements, for the half year ended September 30, 2016 latest by November 30, 2016 to the Principal Chief General Manager, Department of Banking Regulation, Central Office, Reserve Bank of India, Mumbai. Banks shall be guided by the lnd-AS notified by the MCA under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016, as amended in this regard. In this Preliminary Placement Document, certain monetary thresholds have been subjected to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. See "***Risk Factors – The effects of the planned convergence with IFRS and adoption of Ind-AS are uncertain and any failure to successfully adopt Ind-AS could adversely affect our business and the trading price of the Equity Shares.***" beginning on page 72.

Non-GAAP financial measures

We use a variety of financial and operational performance indicators to measure and analyze our operational performance from period to period, and to manage our business. Our management also uses other information that may not be entirely financial in nature, including statistical and other comparative information commonly used within the Indian banking industry to evaluate our financial and operating performance. The key financial and operational performance indicators and ratios are defined along with a brief explanation in the sections, "***Certain Definitions and Abbreviations***" and "***Selected Statistical Information***". These financial and operational performance indicators have limitations as analytical tools. As a result, these financial and operational performance indicators should not be considered in isolation from, or as a substitute for, analysis of our historical financial performance, as reported and presented in our financial statements. Further, these financial and operational performance indicators are not defined under Indian GAAP, and therefore, should not be viewed as substitutes for performance or profitability measures under Indian GAAP. While these financial and operational performance indicators may be used by other banks and financial institutions operating in the Indian banking industry, they may not be comparable to similar financial or performance indicators used by other banks or financial institutions. Other banks or financial institutions may use different financial or performance indicators or calculate these ratios differently, and similarly titled measures published by them may therefore not be comparable to those used by us.

Basis of Presentation

We have five Subsidiaries, one Joint Venture and ten Associates (including five Regional Rural Banks) which in the aggregate contributed ₹ (137.56) crore and ₹ 338.01 crore to our consolidated (loss)/profit during Fiscals 2017 and 2015, respectively, representing (11.59)% and 9.94% of our consolidated profit during those periods, respectively. During Fiscal 2016, our Subsidiaries, Joint Venture and Associates generated an aggregate of ₹ 284.63 crore of profit, while the Bank made a loss of ₹ (3,974.40) crore on a standalone basis, which resulted in our loss of ₹ (3,689.77) crore on a consolidated basis.

This Preliminary Placement Document includes our unaudited condensed standalone balance sheet of the Bank as at September 30, 2017 and September 30, 2016 and the related limited reviewed unaudited condensed standalone profit and loss account and condensed cash flow statement for the six month periods ended September 30, 2017 and September 30, 2016, along with select schedules and explanatory notes thereto, which were subjected to limited review by our Auditors in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India ("**ICAI**"), and not to an audit. The limited reviewed unaudited condensed standalone balance sheet of the Bank as at September 30, 2017 and September 30, 2016 and the related limited reviewed unaudited condensed standalone profit and loss account and condensed cash flow statement for the six month periods ended September 30, 2017 and September 30, 2016, along with select schedules and explanatory notes thereto, included in this Preliminary Placement Document, do not reflect the financial performance or financial condition of the Bank's Subsidiaries, Joint Venture and Associates, and are not indicative of our overall financial condition and financial performance on a consolidated basis. As a result, investors are cautioned that the limited reviewed unaudited condensed standalone balance sheet of the Bank as at September 30, 2017 and September 30, 2016 and the related limited reviewed unaudited condensed standalone profit and loss account and condensed cash flow statement for the six month periods ended September 30, 2017 and September 30, 2016, along with select schedules and explanatory notes thereto, included in this Preliminary Placement Document, may not serve as a meaningful basis for investors to evaluate their investment in the Equity Shares. Furthermore, any event or development which affects the performance of any or all of certain key Subsidiaries and Associates could have a material impact on our performance on a consolidated basis.

In order to provide a comparative analysis of financial performance in the relevant years, financial information relating to previous fiscal periods may have been reclassified, if applicable. As a result, the consolidated financial information presented in this Preliminary Placement Document as at and for Fiscal 2016 is not comparable between two periods.

Unless otherwise indicated, the financial information of the Bank used in this Preliminary Placement Document is derived from the Bank's limited reviewed unaudited condensed standalone balance sheet of the Bank as at September 30, 2017 and September 30, 2016 and the related limited reviewed unaudited condensed standalone profit and loss account and condensed cash flow statement for the six month periods ended September 30, 2017 and September 30, 2016, along with select schedules and explanatory notes thereto and the audited standalone and consolidated balance sheets of the Bank as at March 31, 2017, March 31, 2016 and March 31, 2015 and the related audited standalone and consolidated profit and loss account and the cash flow statements for the years ended March 31, 2017, March 31, 2016 and March 31, 2015, along with the schedules and notes thereto.

For further details, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations—Basis of Presentation***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of changes to classification***".

All numerical and financial information as set out and presented in this Preliminary Placement Document for the sake of consistency and convenience have been rounded off. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The Fiscal Year of the Bank commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year. Unless otherwise stated, references in this Preliminary Placement Document to a particular year are to the calendar year ended on December 31, and to a particular "Fiscal" or "Fiscal Year" or "FY" or "Financial Year" are to the fiscal year ended on March 31.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to the businesses of the Bank contained in this Preliminary Placement Document consists of estimates based on data reports compiled by government bodies, data from other external sources and knowledge of the markets in which the Bank competes. Unless stated otherwise, the statistical information included in this Preliminary Placement Document relating to the industry in which the Bank operates has been reproduced from various trade, industry and government publications and websites.

The information in this Preliminary Placement Document includes reports that have been prepared by the RBI, the World Bank, the International Monetary Fund, the IRDAI (as defined hereinafter), the Central Intelligence Agency, the MoF and the Ministry of Statistics and Program Implementation, Government of India. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. The information in this Preliminary Placement Document includes reports that have been prepared by World Bank that have the following disclaimer: "*This is an adaptation of an original work by The World Bank. Views and opinions expressed in the adaptation are the sole responsibility of the author or authors of the adaptation and are not endorsed by The World Bank*." Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors should not place undue reliance on or base their investment decision on this information.

All such data is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither the Bank nor any of the Book Running Lead Managers have independently verified this data and do not make any representation regarding accuracy or completeness of such data. The Bank takes responsibility for accurately reproducing such information but accepts no further responsibility in respect of such information and data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so the Bank has relied on internally developed estimates. Similarly, while the Bank believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Bank nor any of the Book Running Lead Managers can assure potential investors as to their accuracy.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

AVAILABLE INFORMATION

For so long as any Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and the Bank is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Bank will furnish to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute "forward-looking statements". Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "are likely", "believe", "can", "continue", "could", "estimate", "expect", "intend", "likely", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of the Bank are also forward-looking statements.

All statements regarding the Bank's expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Bank's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document that are not historical facts. However, these are not the exclusive means of identifying forward-looking statements.

These forward-looking statements contained in this Preliminary Placement Document (whether made by us or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Group that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of our Bank to be materially different from any of the forward-looking statements include, among others:

- Risks associated with interest rate vulnerability;
- Risks associated with customer default and the resulting increase in NPAs as well as the provisions required under the requirements mandated by the RBI;
- Risks associated with high concentration of loans to certain customers;
- Our ability to maintain capital adequacy ratios in accordance with Basel III Capital Regulations;
- Our ability to effectively compete; and
- Performance of certain industry sectors where we have significant exposure.

Actual results may differ materially from those suggested by the forward-looking statements due to certain known or unknown risks or uncertainties associated with management's expectations with respect to, but not limited to, the actual growth in demand for banking and other financial products and services, the management's ability to successfully implement its strategy, future levels of impaired loans, the Bank's growth and expansion, the adequacy of the Bank's allowance for credit and investment losses, technological changes, investment income, the Bank's ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings the Bank is or may become a party to, the future impact of new accounting standards, management's ability to implement its dividend policy, the impact of Indian banking regulations on it, the Bank's ability to roll over its short-term funding sources, the Bank's exposure to market risks and the market acceptance of and demand for internet banking services. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated.

Factors that could cause actual results, performance or achievements of the Bank to differ materially include, but are not limited to, those discussed under "***Risk Factors***", "***Industry Overview***", "***Our Business***", "***Selected Statistical Information***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" beginning on pages 43,157,174,135 and 83, respectively.

The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of the Bank. Although the Bank believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as at the date of this Preliminary Placement Document or the respective dates indicated in this Preliminary Placement Document, and the Bank undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialize, or if any of the Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of the Bank could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to the Bank are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

The Bank is a body corporate incorporated under the laws of India. All Directors and members of senior management are residents of India and a substantial portion of the assets of the Bank and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon the Bank or such persons outside India, or to enforce judgments obtained against such parties in courts outside of India.

Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Code (as defined hereinafter) on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive as to any matter thereby directly adjudicated upon between the same parties or between parties under whom they or any of them claim litigating under the same title except:

- where it has not been pronounced by a court of competent jurisdiction;
- where it has not been given on the merits of the case;
- where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable;
- where the proceedings in which the judgment was obtained are opposed to natural justice;
- where it has been obtained by fraud; and
- where it sustains a claim founded on a breach of any law in force in India.

Under Section 14 of the Civil Code, a court in India shall presume, upon the production of any document purporting to be a certified copy of a foreign judgment, that such judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on the record; but such presumption may be displaced by proving want of jurisdiction.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of that Section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and does not include arbitration awards.

The United Kingdom of Great Britain and Northern Ireland, Republic of Singapore and Hong Kong, amongst others have been declared by the Government of India to be a "reciprocating territory" for the purposes of Section 44A of the Civil Code, but the United States has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. The suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws. In addition, any judgment in a foreign currency would be converted into Indian Rupees on the date of the judgment and not on the date of payment. The Bank cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were to be brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with public policy, and is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law.

EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Rupees and the U.S. dollar will affect the U.S. dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. dollar of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on the reference rates released by the Reserve Bank of India. No representation is made that the Rupees amounts actually represent such amounts in U.S. dollar or could have been or could be converted into USD at the rates indicated, any other rates, or at all.

Fiscal Year:	**(₹ per USD 1.00)**			
	Period End	**Average***	**High**	**Low**
2017	64.84	67.09	68.72	64.84
2016	66.33	65.46	68.78	62.16
2015	62.59	61.15	63.75	58.43

**Average of the official rate for each working day of the relevant period.*
(Source: www.rbi.org.in)
Note: If the RBI reference rate is not available on a particular date due to a public holiday, exchange rates of the immediately preceding working day have been disclosed.

Quarter:	**(₹ per USD 1.00)**			
	Period End	**Average***	**High**	**Low**
September 30, 2017	65.36	64.29	65.76	63.63
June 30, 2017	64.74	64.46	65.04	64.00
March 31, 2017	64.84	67.01	68.23	64.84

**Average of the official rate for each working day of the relevant period.*
(Source: www.rbi.org.in)
Note: If the RBI reference rate is not available on a particular date due to a public holiday, exchange rates of the immediately preceding working day have been disclosed.

Month:	**(₹ per USD 1.00)**			
	Period End	**Average***	**High**	**Low**
November 30, 2017	64.43	64.86	65.52	64.41
October 31, 2017	64.77	65.08	65.55	64.76
September 30, 2017	65.36	64.44	65.76	63.87
August 31, 2017	64.02	63.97	64.24	63.63
July 31, 2017	64.08	64.46	64.82	64.08
June 30, 2017	64.74	64.44	64.74	64.26

**Average of the official rate for each working day of the relevant period.*
(Source: www.rbi.org.in)
Note: If the RBI reference rate is not available on a particular date due to a public holiday, exchange rates of the previous working day have been disclosed.

Although the Bank has translated selected Indian rupee amounts in this Preliminary Placement Document into USD for convenience, this does not mean that the Indian rupee amounts referred to could have been, or could be, converted to USD at any particular rate or, the rates stated above, or at all. There are certain restrictions on the conversion of Indian rupees into USD. The exchange rate on December 8, 2017 was ₹ 64.4649 per USD 1.00.

CERTAIN DEFINITIONS AND ABBREVIATIONS

The Bank has prepared this Preliminary Placement Document using certain definitions and abbreviations, which you should consider when reading the information contained herein.

The following list of certain capitalized terms used in this Preliminary Placement Document is intended for the convenience of the reader / prospective investor only and is not exhaustive.

The terms defined in this section shall have the meaning set forth herein, unless specified otherwise in the context thereof, and references to any statute or regulations or policies shall include amendments thereto, from time to time.

Bank Related Terms

Term	Description
Associates	Madhya Bihar Gramin Bank, Patna; Sarva Haryana Gramin Bank, Rohtak; Himachal Gramin Bank, Mandi; Punjab Gramin Bank, Kapurthala; Sarva UP Gramin Bank, Meerut; Principal PNB Asset Management Company Private Limited; Principal Trustee Company Private Limited, PNB Housing Finance Limited, PNB MetLife India Insurance Company Limited and JSC Tengri Bank, Almaty, Kazakhstan
Audit Committee	Audit Committee of the Board
Auditors / Statutory Auditors/ Joint Statutory Auditors	The statutory central auditors of the Bank being, M/s. Chhajed & Doshi, Chartered Accountants; M/s. R Devendra Kumar & Associates, Chartered Accountants; M/s. Hem Sandeep & Co., Chartered Accountants; M/s. Suri & Co., Chartered Accountants; and M/s. SPMG & Co., Chartered Accountants
our Bank / the Bank / the Issuer / PNB	Punjab National Bank, a body corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and having its head office at Plot No. 4, Sector 10, Dwarka, New Delhi 110 075
Banking Laws	The Banking Companies Act, the Banking Regulation Act, the Punjab National Bank Regulations and Nationalised Banks Scheme and rules and regulations framed thereunder, collectively
Basel III	A global regulatory framework for more resilient banks and banking systems published by the Bank for International Settlements.
Board	Board of Directors of the Bank, including any committee constituted thereof
Chairman	Non executive chairman and part- time non-official of the Bank, namely, Mr. Sunil Mehta
Director(s)	Director(s) on the Board
Executive Director (s)	Executive Director(s) of the Bank, namely Mr. Sunil Mehta, Mr. K. Veera Brahmaji Rao, Dr. Ram S. Sangapure and Mr. Sanjiv Sharan
Equity Shares	Equity shares of face value of ₹ 2 each of the Bank
Financial Statements	The audited standalone and consolidated balance sheets of the Bank as at March 31, 2017, March 31, 2016 and March 31, 2015 and the related standalone and consolidated profit and loss account and the cash flow statements for the years ended March 31, 2017, March 31, 2016 and March 31, 2015, along with the schedules and notes thereto; and the limited reviewed unaudited condensed standalone balance sheet of the Bank as at September 30, 2016 and September 30, 2017 and the related limited reviewed unaudited condensed standalone profit and loss account and condensed cash flow statement for the six month period ended September 30, 2016 and September 30, 2017 along with select schedules and explanatory notes thereto, prepared in accordance with Indian GAAP, guidelines issued by the RBI from time to time and practices generally prevailing in the banking industry in India
Group	The Bank, its Subsidiaries, Associates and Joint Venture
Head Office	The head office of the Bank situated at Plot Number 10, Sector 4, Dwarka, New Delhi 110 075
Head Office Credit Approval Committee	The Head Office Credit Approval Committee Level III of the Bank
Management Committee	The Management Committee of the Bank
Joint Venture	The joint venture of the Bank namely, Everest Bank Limited
Managing Director and Chief Executive Officer	The Managing Director and Chief Executive Officer of the Bank namely, Mr. Sunil Mehta
Nationalized Banks Scheme	Nationalized Banks (Management & Miscellaneous Provisions) Scheme, 1970
Nomination Committee	The Nomination Committee of the Bank
PNBGL	PNB Gilts Limited
PNBHFL	PNB Housing Finance Limited

Term	Description
PNBIL	PNB International Limited
Promoter	The promoter of the Bank namely, the President of India acting through the MoF, Government of India
Remuneration Committee	The Remuneration Committee of the Bank
Risk Management Committee	The Risk Management Committee of the Bank
SRC	Stakeholders' Relationship Committee of the Bank
Subsidiaries	The subsidiaries of the Bank namely, PNB Gilts Limited, PNB Investment Services Limited; PNB Insurance Broking Private Limited; Punjab National Bank (International) Limited; and Druk PNB Bank Limited

Issue Related Terms

Term	Description
Allocated / Allocation	The allocation of Equity Shares, by our Bank in consultation with the BRLMs, following the determination of the Issue Price to QIBs on the basis of the Application Form submitted by them, and in compliance with Chapter VIII of the SEBI ICDR Regulations and other applicable laws
Allotted / Allotment / Allot	Issue and allotment of Equity Shares to successful Bidders pursuant to this Issue
Allottee	A Bidder to whom the Equity Shares are Allotted pursuant to this Issue
Application Form	The form (including any revisions thereof) pursuant to which a QIB shall submit a Bid for the Equity Shares in the Issue
Banking Companies Act	The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
Bid	Indication of interest of a Bidder to subscribe to the Equity Shares in the Issue as provided in the Application Form (including all revisions and modifications thereto)
Bid / Issue Closing Date	[●], 2017, which is the last date up to which the Application Forms were accepted
Bid / Issue Opening Date	December 11, 2017, which is the first date from which the Application Forms will be accepted
Bid / Issue Period	Period between the Bid / Issue Opening Date and the Bid / Issue Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids
Bidder	Any prospective investor, being a QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form
Book Running Lead Managers / BRLMs	The book running lead managers to the Issue, in this case being Kotak Mahindra Capital Company Limited, DSP Merrill Lynch Limited, Credit Suisse Securities (India) Private Limited, Goldman Sachs (India) Securities Private Limited, HSBC Securities and Capital Markets (India) Private Limited, Morgan Stanley India Company Private Limited and PNB Investment Services Limited
CAN / Confirmation of Allocation Notice	Note or advice or intimation to QIBs confirming Allocation of Equity Shares to such QIBs after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such QIBs
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e. on or about [●], 2017
Cut-off Price	The Issue Price of the Equity Shares to be issued pursuant to the Issue which shall be finalised by the Bank in consultation with the Book Running Lead Managers
Designated Date	The date of credit of Equity Shares to the QIB's demat account, as applicable to the respective QIBs
Escrow Account	The account entitled 'PNB QIP – Escrow Account' with regard to any money received towards the subscription of the Equity Shares, opened with the Escrow Agent, subject to the terms of the Escrow Agreement
Escrow Agent	Punjab National Bank
Escrow Agreement	The agreement dated December 11, 2017 entered into amongst the Bank, the Escrow Agent and the Book Running Lead Managers
Floor Price	The floor price of ₹ 176.35 per Equity Share, which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations. In terms of the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price. The Bank may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations
Issue	Issue of up to [●] Equity Shares pursuant to this Preliminary Placement Document aggregating up to ₹ [●] crore
Issue Price	₹ [●] per Equity Share
Issue Proceeds	The gross proceeds of the Issue. For details, see "***Use of Proceeds***" beginning on page 79
Mutual Fund	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996

Term	Description
Mutual Fund Portion	10% of the Equity Shares proposed to be Allotted in the Issue, which is available for Allocation to Mutual Funds
Pay-in Date	The last date specified in the CAN for payment of application monies by the QIBs
Placement Agreement	The agreement dated December 11, 2017 entered into amongst the Bank and the Book Running Lead Managers
Placement Document	The placement document to be issued by the Bank in accordance with Chapter VIII of the SEBI ICDR Regulations
Preliminary Placement Document	This preliminary placement document dated December 11, 2017 issued in accordance with Chapter VIII of the SEBI ICDR Regulations
Qualified Institutional Buyers or QIBs	A qualified institutional buyer, as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations
QIP	Qualified institutions placement under chapter VIII of the SEBI ICDR Regulations
Relevant Date	December 11, 2017, being the date of the meeting in which the Board, decides to open the Issue
Stock Exchanges	BSE and NSE

Conventional and General Terms / Abbreviations

Term	Description
AGM	Annual general meeting
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
ARCIL	Asset Reconstruction Company (India) Limited
Banking Companies Act	Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
Banking Regulation Act	The Banking Regulation Act, 1949
BSE	BSE Limited
CAD	Current account deficit
Calendar Year	Year ending on December 31
CDR	Corporate debt restructuring
CDSL	Central Depository Services (India) Limited
CRAR	Capital to Risk – weighted Assets Ratio
Crore	10 million
Civil Code	The Code of Civil Procedure, 1908
Companies Act	The Companies Act, 1956 or the Companies Act, 2013, as applicable
Companies Act, 1956	The Companies Act, 1956 and the rules made thereunder (without reference to the provisions thereof that have ceased to have effect upon notification of the Notified Sections)
Companies Act, 2013	The Companies Act, 2013 and the rules made thereunder, to the extent in force pursuant to notification of the Notified Sections
CPI	Consumer price index
Depositories Act	The Depositories Act, 1996
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996
Depository Participant	A depository participant as defined under the Depositories Act
EEPC	Engineering Export Promotion Council
Eligible FPIs	FPIs that are eligible to participate in this Issue and do not include Category III Foreign Portfolio Investors who are not allowed to participate in the Issue
FATCA	Foreign Account Tax Compliance Act, 2010
FBT	Fringe benefits tax
FDI	Foreign direct investment
FDI Policy	The Consolidated Foreign Direct Investment Policy notified by the DIPP under dated August 28, 2017
FEDAI	Foreign Exchange Dealers' Association
FEMA	The Foreign Exchange Management Act, 1999 and the regulations issued thereunder
FEMA 17	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017
FIMMDA	Fixed Income Money Market and Derivatives Association of India
Fiscal or Fiscal Year	Period of 12 months ended 31 March of that particular year, unless otherwise stated
FIU-IND	Financial Intelligence Unit - India
FPI	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes person who has been registered under the SEBI FPI Regulations. Any foreign

Term	Description
	institutional investor or qualified foreign investor who held a valid certificate of registration was deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees had been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
FVCI	Foreign venture capital investors as defined and registered with SEBI under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
GAAP	Generally accepted accounting principles
GAAR	General anti-avoidance rules
GDP	Gross domestic product
GIR	General index registrar
GoI / Government	Government of India, unless otherwise specified
GST	Goods and services tax
IBC or I&BC	Insolvency and Bankruptcy Code, 2016
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards of the International Accounting Standards Board
IIP	Index of Industrial Production
Ind-AS or Ind AS	Indian Accounting Standards converged with IFRS, which has been proposed for implementation by the ICAI
Indian GAAP	Generally Accepted Accounting Principles of India as applicable to banks
IRDAI	Insurance Regulatory Development Authority of India
IT Act	The Income Tax Act, 1961
MCA	The Ministry of Corporate Affairs, Government of India
MoF	The Ministry of Finance, Government of India
NABARD	The National Bank for Agriculture and Rural Development
Nationalised Banks Scheme	The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970
NCAF	Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework
NCLT	National Company Law Tribunal
NRE	Non-resident (external)
NRO	Ordinary non-resident
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
PAN	Permanent account number
PFIC	Passive foreign investment company
PMLA	The Prevention of Money Laundering Act, 2002
PRA	Prudential Regulation Authority
Punjab National Bank Regulations	Punjab National Bank (Shares and Meetings) Regulations, 2000
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
Regulation D	Regulation D under the U.S. Securities Act
Regulation S	Regulation S under the U.S. Securities Act
RoC	Registrar of Companies
Rs. / Rupees / INR / ₹	Indian Rupees
Rule 144A	Rule 144A under the U.S. Securities Act
SARFAESI Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SBI	State Bank of India
SCB	Scheduled commercial bank
SCR (SECC) Rules	The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012
SCRA	The Securities Contracts (Regulation) Act, 1956
SCRR	The Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
SEBI Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

Term	Description
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015
SEBI Merchant Bankers Regulations	The Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992
SEBI Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011
SEC	United States Securities and Exchange Commission
STT	Securities transaction tax
U.K.	United Kingdom
U.S. GAAP	Generally Accepted Accounting Principles in the United States
U.S. QIBs	"Qualified Institutional Buyers" as defined in Rule 144A under the U.S. Securities Act
U.S. Securities Act	The U.S. Securities Act of 1933
USA / U.S. / United States	The United States of America
USD / U.S. $ / U.S. dollar	United States Dollar, the legal currency of the United States of America
WPI	Wholesale price index
QIBs	Qualified Institutional Buyers as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations

Industry Related Terms

Term	Description
AD	Authorised Dealers
AFS	Available for sale
Allowance as a percentage of gross NPAs	The ratio of NPA provisions made to the gross NPAs
ALM	Asset and liability mismatch
AML	Anti-money laundering
ANBC	Adjusted net bank credit
ARC	Asset reconstruction company
ATMs	Automated teller machines
Average net worth to total average assets	The ratio of quarterly average capital and reserves divided by total quarterly average assets
Basel Committee or BCBS	Basel Committee on Banking Supervision
BPLR	The benchmark prime lending rate, based on cost of funds, cost of business operations, provisions and yield curve expectations
BSI	Banking stability indicator
CAGR	Compounded annual growth rate (calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered)
CAP	Corrective action plan
CAR	Capital adequacy ratio
CASA	Current account and savings account
CCB	Capital conservation buffer
CCCBs	Countercyclical capital buffers
CDM	Cash deposit machine
CDR	Corporate Debt Restructuring
CET-1	Common equity tier 1 capital
Cost to average assets	The ratio of the operating expenses, excluding lease depreciation, to the quarterly average assets
Cost to income ratio	The ratio of operating expenses divided by total operating income (total of net interest income and non-interest income)
Credit to deposit ratio	The ratio of total domestic advances excluding interbank advances to total domestic deposits excluding inter-bank deposits
CRILC	Central Repository of Large Common Exposures
CRR	Cash reserve ratio
Current accounts	Demand deposits
DCCO	Date of Commencement of Commercial Operation
Dividend payout ratio	The ratio of dividend to adjusted net profit (after exclusion of a one-off income item from net profit)
DTL	Demand and Time Liabilities
DRT	Debt Recovery Tribunal
FHC	Financial holding company
Framework	Framework for Revitalising Distressed Assets in the Economy

Term	Description
GNPA	Gross non-performing advances
HFT	Held for trading
HTM	Held to maturity
HQLA	High Quality Liquid Assets
IBD	International Banking Division
IFCs	Infrastructure Finance Companies
Interest expense	Interest expended
Interest income	Interest earned
JLF	Joint Lenders' Forum
KYC	Know your customer
LAF	Liquidity adjustment facility
LCR	Liquidity coverage ratio
MCLR	Marginal cost of funds based lending rate
MSF	Marginal standing facility
MSME	Micro, Small and Medium Enterprises
MTC	Minimum total capital
NBFC	Non-banking financial company registered with the RBI
NDTL	Net demand and time liability
Net NPAs ratio	The ratio of net NPAs divided by net advances
NII	Net interest income
NIM	Net interest margin
NPAs	Non-performing assets
NRE	Non-Resident (External)
NRO	Non-Resident Ordinary
NSFR	Net stable funding ratio
Other income to operating income ratio	The ratio of other income divided by total operating income (total of net interest income and non-interest income)
Ombudsman Scheme	The Banking Ombudsman Scheme, 2006
PCR	Provisioning coverage ratio
Prudential Norms	Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances
PMLA	Prevention of Money Laundering Act, 2002
PSL	Priority sector loan
PSU Bonds	Public sector undertaking bonds
PTC	Pass-through certificate
RBI Dividend Circular	RBI Circular (RBI/2004-05/451DBOD.NO.BP.BC.88/21.02.067/2004-05) dated May 4, 2005 on declaration of dividends by banks
RC	Reconstruction company
RD	Recurring deposits
RDDBFI Act	Recovery of Debts Due to Banks and Financial Institutions Act, 1993
Return on average assets	The ratio of the net profit after tax to the quarterly average assets
Return on average equity	The ratio of net profit after tax to the quarterly average net worth (capital plus reserves)
RRB	Regional rural bank
RTGS	Real time gross settlement
RWA	Risk weighted assets
Savings accounts	Savings bank deposits
SC	Securitisation company
Scheme for Stressed Assets	Scheme for Sustainable Structuring of Stressed Assets
SLR	Statutory liquidity ratio (as per requirements of the RBI)
SME	Small and medium enterprises
Tier I Capital	The core capital of a bank that provides the most permanent and readily available support against unexpected losses. It comprises paid up capital and reserves consisting of statutory reserves, free reserves and capital reserves (representing surplus gains arising out of sale of held-to-maturity assets), innovative perpetual debt instruments and perpetual non cumulative preference shares eligible for inclusion in Tier I Capital which comply with the specified current regulations as reduced by equity investments in subsidiaries, reciprocal investments capital of banking, financial and insurance entities, deferred tax assets, intangible assets, and losses in the current period and those brought forward from the previous period and revaluation reserves at a discount of 55.00%

Term	Description
Tier II Capital	General provisions on standard assets, floating provisions, provisions held for country exposures, investment reserve account, excess provisions which arise on account of sale of NPAs and 'countercyclical provisioning buffer' (allowed up to a maximum of 1.25% of risk-weighted assets), debt capital instruments which comply with the specified regulatory requirements, (limited to a percentage of common equity capital), reduced by equity investments in subsidiaries, reciprocal investments capital of banking, financial and insurance entities

SUMMARY OF THE ISSUE

*The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including under the sections titled "**Risk Factors**", "**Use of Proceeds**", "**Issue Procedure**", "**Description of the Equity Shares**" and "**Placement**" beginning on pages 43,79,223,247 and 233, respectively. The information contained in "**Description of the Equity Shares**" beginning on page 247 shall prevail in the event of any inconsistency with the terms set out in this section.*

Issuer	Punjab National Bank
Issue Size	[●] Equity Shares aggregating up to ₹ [●] crore. A minimum of 10% of the Issue Size, i.e. [●] Equity Shares shall be available for allocation to Mutual Funds only, and [●] Equity Shares shall be available for allocation to all QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other eligible QIBs.
Issue Price	₹ [●] per Equity Share
Face Value	₹ 2 per Equity Share
Floor Price	The Floor Price for the Issue calculated on the basis of Chapter VIII of the SEBI ICDR Regulations is ₹ 176.35 per Equity Share with reference to December 11, 2017 as the Relevant Date. In terms of the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price. The Bank may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.
Authority for the Issue	The Issue was authorised and approved by the Board by way of their resolutions dated September 27, 2017, and by the shareholders of the Bank by way of their special resolutions dated December 4, 2017. The Bank has also obtained the necessary consents, approvals and authorisations required in connection with the Issue, including the approvals from the Department of Financial Services, the MoF dated December 5, 2017 and RBI dated November 22, 2017. The Allotment has to be completed within 12 months from the date of passing the special resolution.
Eligible Investors	A QIB as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations who is either (i) outside of the United States acquiring the Equity Shares in an offshore transaction under Regulation S; or (ii) in the United States who is a "qualified institutional buyer" as defined in Rule 144A; or such other person as may be permitted under applicable laws to acquire the Equity Shares pursuant to this Issue; to whom this Preliminary Placement Document and the Application Form will be circulated and who are eligible to Bid and participate in this Issue.
Equity Shares issued and outstanding immediately prior to the Issue	2,127,968,258 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares
Dividend	For more information, see "***Description of the Equity Shares***", "***Dividend Policy***" and "***Taxation***" beginning on pages 247, 82 and 250, respectively.
Indian Taxation	For more information, see "***Taxation***" beginning on page 250.
Listing	The Bank obtained in-principle approvals dated December 11, 2017 for the listing of the Equity Shares in terms of Regulation 28(1) of the SEBI Listing Regulations, from the Stock Exchanges. The Bank shall apply to the Stock Exchanges for the listing approvals and the final listing and trading approvals, after the Allotment and after the credit of the Equity Shares to the beneficiary account with the Depository Participant, respectively.
Transfer Restrictions	The Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment except on the floor of the Stock Exchanges. The Equity Shares are subject to certain selling and transfer restrictions. For details, see "***Selling Restrictions***" and "***Eligibility and Transfer Restrictions***" beginning on pages 235 and 241, respectively.
Pay-in Date	Last date specified in the CAN sent to QIBs, by which the consideration for the Equity Shares has to be paid.
Closing Date	The date on which Allotment of the Equity Shares pursuant to the Issue shall be made, i.e. on or about [●], 2017.

Ranking	The Equity Shares being issued shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by the Bank after the date of Allotment subject to applicable law. For details, see "***Description of the Equity Shares***" beginning on page 247.
Lock-up	For further details, see "***Placement – Lock-up***" beginning on page 233.
Use of Proceeds	The total proceeds of the Issue will be up to ₹ [●] crore. After deducting the issue expenses, the net proceeds of the Issue will be approximately [●] crore. For further details, see "***Use of Proceeds***" beginning on page 79.
Risk Factors	Prior to making an investment decision, Eligible Investors should consider carefully the matters discussed under "***Risk Factors***" beginning on page 43.
Security Codes for the Equity Shares	
ISIN	INE160A01022
BSE Code	532461
NSE Code	PNB

SUMMARY OF OUR BUSINESS

*This section should be read in conjunction with the sections "**Selected Statistical Information**", "**Risk Factors**", "**Industry Overview**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" as well as the financial information included in "**Financial Statements**" on pages 135, 43, 157, 83 and 270, respectively.*

Unless otherwise indicated, references to "the Bank", are to Punjab National Bank on a standalone basis and references to "the Group", "we", "us", "our", are to Punjab National Bank, its Subsidiaries, Associates and Joint Venture on a consolidated basis. Unless otherwise indicated, the financial information used in this section is derived from the Bank's limited reviewed unaudited condensed standalone financial statements as at and for the six month periods ended September 30, 2017 and September 30, 2016, and our audited standalone and consolidated financial statements as at and for the years ended March 31, 2017, 2016 and 2015.

Overview

The Bank commenced operations on April 12, 1895 and has grown to become the second largest public sector bank in terms of total advances, deposits and assets as at March 31, 2017, according to the Indian Banks' Association.

The Bank has a presence throughout India with a total of 6,940 branches, two-thirds of which are located within rural and semi-urban areas in India, 9,753 ATMs, 8,224 banking correspondents and more than 10.00 crore customers as at September 30, 2017. The Bank also has overseas presence in nine countries through its branches, representative offices, Subsidiaries, Joint Venture and Associates outside India. The Government of India ("**GoI**") owned 65.01% of the Bank's share capital as at September 30, 2017.

As at September 30, 2017, the Bank had gross deposits, gross advances and a total asset base of ₹ 6,36,208.35 crore, ₹ 4,32,985.43 crore and ₹ 7,32,115.53 crore, respectively. As at September 30, 2017, the Bank's market share of aggregate domestic deposits was 5.19%, and its market share of aggregate domestic advances was 4.86%. (*Source: RBI data.*)

We also have a large stable percentage of relatively low-cost current account savings account ("**CASA**") deposits within our deposit mix. The Bank's ratio of CASA deposits to its total domestic deposits as at September 30, 2017 was 44.38% and our ratio of CASA deposits as at March 31, 2017, March 31, 2016 and March 31, 2015 was 45.97%, 41.63% and 40.57%, respectively.

Further, we have, for the past three years largely achieved the goals set forth for the priority sector under the applicable RBI circular for priority sector lending targets and classification (the "**Priority Sector Circular**"), which sets out that 40% of the adjusted net bank credit ("**ANBC**") should be provided to the priority sector ("**Priority Sector Credit**"), with 18% and 10% of such Priority Sector Credit provided to the agriculture sector and the weaker sections (as identified in the Priority Sector Circular), respectively, and that 5% of ANBC should be credited to women beneficiaries, among others. For further details, see "***Regulations and Policies—Directed Lending***" on page 215.

We are focused on continuing our investment in our technology platforms and systems. Our direct banking platforms enable us to connect with our customers through alternate channels by improving customer retention and supporting the increase in volume of customer transactions.

Our principal business operations are broadly categorized into four segments: our corporate/wholesale banking segment comprises commercial banking products and transactional services, which are provided to our corporate and institutional clients; retail banking comprises financial products provided to our retail customers; treasury operations comprising primarily of statutory reserves management, liquidity management and other such services and other banking operations comprising primarily of rural business and agri-business.

The range of products and services offered by the Bank includes loans and advances, deposits, foreign exchange products, retail lending and deposits and fee and commission based products and services. Our principal banking operations include:

- *Retail banking*: Our retail banking products include loans and deposit products targeted primarily at individuals (salaried, self-employed professionals and other self-employed individuals) to meet their personal financial requirements, such as housing, vehicle, education and other personal requirements.

- *Corporate banking:* Our corporate banking operations cater to the business needs of various companies, institutions and other enterprises in the public and private sector. Our corporate banking loans include fund based and non-fund based products, of which the fund based products consist of term loans as well as working capital facilities. We also offer trade loans, bridge financing and foreign currency loans. We also provide finance to corporates through syndication of loans.
- *MSME banking:* Our micro, small and medium enterprises ("**MSME**") banking products include loans to entrepreneurs engaged in manufacturing, service and trading activities in the form of investment as well as working capital.
- *Agricultural banking:* Our agricultural banking operations cater to farmers and agriculture based entrepreneurs through various short, medium and/or long term loan products.

The Bank is also present, through its Subsidiaries, Joint Venture and Associates, in diverse segments of the Indian financial sector, including asset and funds management, investment banking, housing finance and life insurance. The Bank contributed 98.23% of our total consolidated assets as at March 31, 2017.

The table below sets forth summaries of certain of the Bank's key operating and financial performance parameters, as at and for the periods indicated below.

(*In ₹ crores, except percentages*)

Operational and Financial performance parameters*	**As at and during the six month period ended September 30, 2017**	**As at and for the years ended March 31,**		
		2017	**2016**	**2015**
Average interest-earning assets	6,78,809.10	6,30,481.70	5,89,058.73	5,26,138.68
Net interest income	7,870.32	14,993.17	15,311.78	16,555.57
Average total assets	7,50,175.09	7,01,104.90	6,51,469.95	5,79,180.68
Average yield(1)	7.20%	7.50%	8.05%	8.80%
Average cost of funds(2)	5.04%	5.24%	5.64%	5.91%
Spread(3)	2.16%	2.25%	2.41%	2.90%
Net interest margin(4)	2.32%	2.38%	2.60%	3.15%
Return on average equity(5)	4.19%	3.19%	(9.78%)	8.01%
Return on average assets(6)	0.25%	0.19%	(0.62)%	0.53%
Tier I capital adequacy ratio	8.88%	8.91%	8.41%	9.30%
Tier II capital adequacy ratio	2.68%	2.75%	2.87%	2.91%
Total capital adequacy ratio	11.56%	11.66%	11.28%	12.21%
Net NPAs(7)	34,570.15	32,702.10	35,422.56	15,396.50
Net NPAs ratio(8)	8.44%	7.81%	8.61%	4.06%
Credit to deposit ratio(9)	68.80%	70.50%	78.80%	77.70%
Cost to income ratio(10)	46.35%	39.17%	46.79%	46.74%
Interest coverage ratio(11)	1.07	1.05	0.89	1.12
Provisioning coverage ratio(12)	59.23	58.57	51.06	58.21
CASA ratio(13)	44.32	45.97	41.63	40.57
Gross total advances	4,32,985.43	4,41,751.36	4,32,775.04	3,92,422.15
Gross Deposits	6,36,208.35	6,21,704.02	5,53,051.13	5,01,378.64

**The average balance in respect of total assets is the monthly average of balances outstanding, as reported to the RBI. In respect of the average balance of advances, investments and deposits, which are computed on the basis of daily average of balances outstanding, as reported to the RBI. All other average balances, such as average yields and average costs, are quarterly average of balances outstanding, as reported to the RBI.*

(1) Average yield of interest earning assets.

(2) Average cost of interest bearing liabilities. Excludes equity and includes the cost of Tier 2 and subordinated bonds.

(3) Spread is the difference between yield on average interest earning assets and cost of funds.

(4) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest- bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

(5) Return on average equity is the ratio of the net profit after tax to the quarterly average net worth (capital plus reserves).

(6) Return on average assets is the ratio of the net profit after tax to the quarterly average assets.

(7) Net NPAs reflect the Bank's gross NPAs less provisions for NPAs.

(8) Net NPAs ratio is the ratio of net NPAs divided by net advances.

(9) Credit to deposit ratio is calculated as a ratio of total domestic advances excluding interbank advances to total domestic deposits excluding inter-bank deposits.

(10) Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).

(11) Interest coverage ratio is calculated as net profit and depreciation on the Bank's property, divided by interest expended.

(12) Provisioning coverage ratio reflects the ratio of provisions created for NPAs to net NPAs.

[(13)] *Ratio of current account deposits and savings account deposits to domestic deposits (including inter-bank deposits).*

We have received several awards in recognition of the Bank's operations and performance, as set out below.

Year	Certification/award	Awarding organization or authority
2017	Best Public Sector Undertaking Bank - Government Scheme Participation, *Pradhan Mantri Yojana*	Dun & Bradstreet
2016	Golden Peacock National Training Award	Institute of Directors
2015	Social Banking Excellence Award, 2015-Rural Banking Category (Large Bank)	Associated Chambers of Commerce and Industry of India
2015	Banking Excellence Award (runner-up)	Chamber of Indian Micro, Small and Medium Enterprises
2015	Agriculture Leadership Award, 2015	Agriculture Today
2014	Banking Excellence Award (runner-up)	Chamber of Indian Micro, Small and Medium Enterprises
2014	Corporate Social Responsibility Award	Federation of Indian Chambers of Commerce & Industry

Competitive Strengths

Strong Industry Presence

With over 120 years of banking services, we believe that we are one of the well-recognized public sector bank brands in India. Through our expansive operations across India, we have over the years provided a banking platform that has aided in the growth of financial and commercial activity across India, enabling us to strengthen our brand, reputation and goodwill.

We have capitalized on our strong brand by establishing an extensive branch network throughout India serving a broad range of customers in rural, urban and semi-urban regions. As at September 30, 2017, the Bank had 6,940 domestic branches, 9,753 ATMs and over 10.00 crore customers compared to 6,559 branches, 8,348 ATMs and 8.43 crore customers as at March 31, 2015. Of our 6,940 branches as at September 30, 2017, approximately 61.61% were located in rural and semi-urban areas. The Bank's branch network is further complemented by its digital strategy, including online and mobile banking solutions, to provide its customers with access to on-demand banking services, which we believe allows us to develop strong and loyal relationships with our customers.

As a result of our brand recognition and widespread presence across India, we believe that we rank favorably among public sector banks in India. We have an established market presence in several business segments in which we operate. We provide agricultural, MSME and retail loans in India. We were the second largest public sector bank in terms of deposits, advances, assets and branches as at March 31, 2017, according to the Indian Banks' Association. The Bank's gross deposits aggregated to ₹ 6,36,208.35 crore as at September 30, 2017 and our deposits aggregated to ₹ 6,21,704.02 crore, ₹ 5,53,051.13 crore and ₹ 5,01,378.64 crore as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively, growing at a CAGR of 11.35% from March 31, 2016 to March 31, 2017. The Bank's gross total advances aggregated to ₹ 4,32,985.43 crore as at September 30, 2017 and our gross total advances aggregated to ₹ 4,41,751.36 crore, ₹ 4,32,775.04 crore and ₹ 3,92,422.15 crore as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively. According to the Indian Banks' Association, as at March 31, 2017, the Bank had the second largest asset size among public sector banks in India, aggregating to ₹ 7,20,330.55 crore.

Additionally, we have also adopted alternate channels to increase our presence across India in a cost-effective manner, by engaging banking correspondents in rural and semi-urban areas. As at March 31, 2015, we had engaged an aggregate of 8,033 banking correspondents, which increased to 8,224 as at September 30, 2017. As at September 30, 2017, out of an aggregate of 8,224 banking correspondents engaged by us, 7,017 were located in rural and semi-urban areas.

We believe that our operational performance reflects our industry position. The Bank's domestic net interest margin was 2.60%, 2.69%, 2.95% and 3.55% during the six month period ended September 30, 2017 and during Fiscals 2017, 2016 and 2015, respectively. During September 30, 2017 and Fiscals 2017, 2016 and 2015, the Bank's return on average equity was 4.19%, 3.19%, (9.78%) and 8.01% respectively, the return on average assets was 0.25%, 0.19%, (0.62)% and 0.53%, respectively, and the cost to income ratio was 46.35%, 39.17%, 46.79% and 46.74%, respectively.

In addition, our Promoter and majority shareholder, the GoI, held 65.01% of our paid-up and issued share capital as at September 30, 2017. We believe that our relationship with the GoI enhances our brand value and goodwill.

Strength of portfolio, with a focus on balance, quality and profit

Well balanced offerings

Our expansive network enables us to provide banking services to a large, diverse and growing customer base, including large industries, corporates and state-owned enterprises, as well as commercial, agricultural, industrial and retail customers. We offer a range of banking products and services and we are also a participant bank for direct benefit transfer ("**DBT**") transactions, a GoI program to effect direct transfers of subsidies targeted at women, children and social welfare. Our comprehensive product and service offering includes short-term and long-term deposits, secured and unsecured loans, internet banking, mobile banking, agricultural and micro-finance banking products as well as project finance loans. We, our Subsidiaries and our Associates are also present in diverse segments of the Indian financial sector, including asset and funds management, investment banking, housing finance and life and medi-claim insurance. The Bank offers a customized medi-claim policy "PNB-Oriental Royal Mediclaim Policy", exclusively for its account holders and employees, which is sold through its branches across India, with premiums which it considers to be comparable with other health insurance providers. We are therefore able to address the entire range of our customers' banking and financial product and service requirements.

Our diversified product and service offerings enhance our funding mix and also enable us to have a diverse customer base. For instance, as at September 30, 2017, approximately 90% of the Bank's gross advances, aggregating to ₹ 3,90,981.88 crore were provided domestically. Out of the Bank's total loan portfolio of gross domestic advances, as at September 30, 2017, approximately 31.36%, aggregating to ₹ 1,22,604 crore were to large industries, 20.29% aggregating to ₹ 79,301 crore were to MSMEs, 18.21% aggregating to ₹ 71,173 crore were to retail and 17.27% aggregating to ₹ 67,503 crore were to the agriculture and allied services.

We have also, in Fiscal 2018, executed a memorandum of understanding dated October 23, 2017 with the Engineering Export Promotion Council of India ("**EEPC**") to provide easy access to finance for MSMEs and merchant exporters members of the EEPC. Pursuant to such memorandum of understanding, we will provide finance to members of the EEPC on the condition that loans up to a certain amount will be provided with six to seven weeks. We will also extend foreign currency loan facilities and provide advisory support to EEPC members to finance projects through our foreign exchange branches.

Portfolio Quality

We have maintained quality loan and investment portfolios by targeting our customer base. The Bank's ratio of gross NPAs to gross advances was 13.31% as at September 30, 2017 and the Bank's net NPAs amounted to 8.44% of its net advances. In addition, we have restructured the payment terms of certain of our loans. As at September 30, 2017, such restructured loans represented 2.41% of the Bank's gross advances.

We also believe that our diversified portfolio of loans limits our exposure to NPAs. As at September 30, 2017, the infrastructure sector accounted for approximately 11.86% of the Bank's global advances and 11.88% of the Bank's gross NPAs, the metal sector accounted for approximately 6.16% of the Bank's global advances and 26.62% of the Bank's gross NPAs, textiles accounted for 2.41% of the Bank's global advances and 3.55% of the Bank's gross NPAs, food processing accounted for 2.28% of the Bank's global advances and 3.95% of the Bank's gross NPAs, chemicals accounted for 2.13% of the Bank's global advances and 1.70% of the Bank's gross NPAs.

As at September 30, 2017, the Bank's provision coverage ratio (including technical written-off accounts) stood at 48.98%, 53.21%, 53.37%, 71.54% and 79.24% for the metal, infrastructure, food processing, textile and chemical sectors, respectively, and as at that date, the Bank's overall provision coverage ratio was 59.23%. Further, we are focusing on segments such as roads and infrastructure, and other such relatively strong sectors, which benefit from government initiatives such as *Bharatmala*, a sponsored and funded road and highway project undertaken by the GoI and the *Sagarmala* project, an initiative undertaken by the GoI to enable the establishment of a number of ports and enhancing connectivity of ports in order to further limit our exposure to NPAs.

Our gross NPAs were 12.53% of total advances as at March 31, 2017 and 12.90% as at March 31, 2016 and our net NPAs were 7.81% as at March 31, 2017 and 8.61% as at March 31, 2016. We believe that our NPAs have reduced since Fiscal 2016 as a result of the steps taken by us to diversify and improve the quality of our loan portfolio. We have also implemented certain initiatives to control slippages, as a result of which our fresh slippages have decreased to ₹ 8,448.79 crore during the six month period ended September 30, 2017 from ₹ 11,244.57 crore during the six month period ended September 30, 2016 and to ₹ 20,251.53 crore during Fiscal 2017 from ₹ 41,059.83 crore during Fiscal 2016.

Also see "***Selected Statistical Information—NPAs***", "***Risk Factors—We have a high concentration of loans to certain customers and if a substantial portion of these loans were to become non-performing, the quality of our loan portfolio could be adversely affected. In addition, we are exposed to risks relating to concentration of our NPAs.***" and "***Risk Factors—We are exposed to risks related to high levels of customer default and the resulting increase in NPAs as well as the provisions required under the requirements mandated by the RBI***" on pages 151, 45 and 44, respectively.

Investments in Subsidiaries and Associates

We have five Subsidiaries, one Joint Venture and ten Associates (including five Regional Rural Banks) which in the aggregate contributed ₹(137.56) crore and ₹ 338.01 crore to our consolidated profit/ (loss) during Fiscals 2017 and 2015, respectively, representing (11.59)% and 9.94% of our consolidated profit/ (loss) during those periods, respectively. During Fiscal 2016, our Subsidiaries, Joint Venture and Associates generated an aggregate of ₹ 284.63 crore of profit, while the Bank made a loss of ₹ 3,974.39 crore on a standalone basis, which resulted in our loss of ₹ 3,689.76 crore on a consolidated basis. Of our foreign subsidiaries, Punjab National Bank (International) Limited provides banking solutions in the United Kingdom through seven branches and as at September 30, 2017, had assets aggregating ₹ 8,995.71 crores. Druk PNB Bank Limited was the first bank in Bhutan with foreign direct investment and conducts its banking operations through seven branches and 21 ATMs in Bhutan.

PNBHFL, one of our Associates, is a housing finance company with operations across India. As at September 30, 2017, PNBHFL had total assets of ₹ 53,739.79 crores and our share of its profits during the six month period ended September 30, 2017 was ₹ 153.48 crores. PNB Metlife Insurance Company Limited is a provider of domestic life insurance and has insured over 0.36 crore persons and has a presence in over 7,000 locations across India. Our share of its profits during the six month period ended September 30, 2017 was ₹ 7.49 crores. PNB Gilts Limited is a primary dealer in the primary and secondary market for government securities. As at September 30, 2017, it had total assets of ₹ 6,473.56 crores and our share of its profits during the six month period ended September 30, 2017 was ₹ 29.29 crores.

Strong retail presence, with a focus on financial inclusion

Retail credit has been a principal focus area for the Bank. The Bank's retail advances, which comprise housing loans, vehicle loans, education loans, personal loans, mortgages and gold loans ("**Retail Advances**") increased by 15.88% to ₹ 71,173.00 crore as at September 30, 2017 from ₹ 61,422.00 crore as at September 30, 2016. Within the Bank's retail advances segment, the Bank's housing, vehicle and education loans experienced a growth of 19.69%, 17.83% and 11.86% respectively, from September 30, 2016 to September 30, 2017.

Further, we have also launched a scheme, *PNB Pride*, to provide housing and vehicle loans to government employees at a concessional interest rate and we have entered into memoranda of understanding with certain public sector undertakings and state governments for providing retail loans to their employees.

We have large customer deposits. The Bank's customer gross deposits aggregated to ₹6,36,208.35 crore as at September 30, 2017 and our customer deposits aggregated to ₹6,21,704.02 crore, ₹5,53,051.13 crore and ₹5,01,378.64 crore, as at March 31, 2017, March 31, 2016, and March 31, 2015, respectively. As at September 30, 2017, the Bank's market share of aggregate domestic deposits was 5.19%, and its market share of aggregate domestic advances was 4.86%. (*Source: RBI data.*) We also have a large, stable percentage of relatively low-cost CASA deposits within our deposit mix. The Bank's ratio of CASA deposits to its total domestic deposits as at September 30, 2017 was 44.38% and our ratio of CASA deposits as at March 31, 2017, March 31, 2016 and March 31, 2015 was 45.97%, 41.63% and 40.57%, respectively. Our funding requirements are met through third-party funding and are predominantly derived from the low-cost demand and savings deposits from customers and other financial institutions. Deposits constituted 86.31% of our total liabilities as at March 31, 2017 and contributed 92.72% to our average cost of funds during Fiscal 2017. Also see "***Risk Factors—The effects of the Government of India's recent demonetization decision are uncertain***" on page 50.

We have also undertaken certain steps towards meeting our financial inclusion goals. During Fiscal 2017, we deployed RuPay Card enabled micro ATMs, which are hand-held devices, in order to make ATMs viable at rural or semi-urban centres at certain of the locations where the Bank is located. As at September 30, 2017, we had deployed 5,752 micro ATMs across rural and semi-urban locations. During Fiscal 2017, we also launched a contactless credit card, "PNB Wave and Pay", which uses radio frequency identification for making secure payments.

We have, for the past three years largely achieved the goals set for the priority sector under the Priority Sector Circular, which sets out that 40% of the ANBC should be provided to the priority sector, with 18% and 10% of such Priority Sector Credit provided to the agriculture sector and the weaker sections (as identified in the Priority Sector Circular), respectively, and 5% of ANBC should be credited to women beneficiaries, among others.

Set out below are details of our financial inclusion targets.

Parameter	**National Goals (based on the Priority Sector Circular)**	**September 30, 2017**	
		Achieved	**Outstanding Balance** *(in ₹ crores, unless specified otherwise)*
Priority sector			
Priority sector (% of ANBC)	40	40.15	1,46,679
Total agriculture advances (% of ANBC)	18	18.48	67,503
Small and marginal farmers (% of ANBC)	8	9.00	32,865
Other national goals			
Micro enterprises accounts (year on year growth) (%)	10	15.90	7,80,500
Credit to micro enterprises (% of ANBC)	7.5	6.92	25,290

As at March 31, 2017, March 31, 2016 and March 31, 2015, we had achieved the targets set out for us by the RBI for lending to the priority sector, amounting to 40.49%, 40.75% and 40.06% of our ANBC, respectively.

The GoI launched the *Pradhan Mantri Jan-Dhan Yojana* ("**PMJDY**") in Fiscal 2015 to ensure access to financial services to a large segment of the country with a view to promote financial inclusion. Pursuant to the scheme, as at September 30, 2017, the Bank had opened over 1.70 crore "*jan dhan*" accounts.

Experienced leadership team

Our leadership team, including our Board of Directors, consists of professionals with experience in the banking and finance industries. Our executive directors and senior management have served in national banks and in the financial services sector at various levels. Our Board is supported by a team of senior management professionals. The experience and expertise of our Board and senior management team across a variety of disciplines and industries assists us in understanding the preferences of our customers and adapt our business and operations accordingly.

We believe that our leadership team's comprehensive industry experience and expertise has contributed to the development of our brand over the years. We believe that having a management team with such breadth and depth of experience is well suited to leverage the competitive strengths that we have developed across our large, diverse and growing network and that our management team has created a clear, strategic direction for us which will allow us to expand and maintain its position as a leading public sector bank in India.

Strategies

Continued focus on improving operating performance

We continue to enhance our productivity by creating an organizational culture of cost control and operational efficiencies. In order to achieve this, we aim to optimize our allocation and utilization of resources, and effectively balance human resources, processes and technology. We also intend to continue to focus on improving efficiency levels of the Bank measured through its cost-to-income ratio, which was 46.35%, 39.17%, 46.79% and 46.74% during the six month period ended September 30, 2017 and during Fiscal 2017, 2016 and 2015, respectively.

We believe we have optimized the utilization of resources by adopting alternate channels to increase our presence across India, in a cost-effective manner by engaging banking correspondents. As at March 31, 2015, we had engaged an aggregate of 8,033 banking correspondents, which increased to 8,224 as at September 30, 2017. By engaging banking correspondents, we have decreased costs on human resources and capital expenditure on establishing brick and mortar banks

Further, we focus on increased operational efficiencies by further optimizing our operating platform through technology enhancement and process streamlining, in order to achieve a more efficient operating model and to support new business models and distribution channels. We also have established single service window mechanisms through our retail asset processing centres, which provide for faster turn-around time, thereby increasing our operational efficiencies. Additionally, we continue to focus on increasing customer usage of the Bank's internet banking platform in order to effect a significant reduction in its transaction costs.

For further details on the digital initiatives undertaken by us, see "***—Focus on digitization and technology***" on page 181. Also see "***Risk Factors— Significant security breaches could adversely affect our business. We may face cyber threats attempting to exploit our network to disrupt services to customers and/or theft of sensitive internal Bank data or customer information***" on page 62.

In order to achieve increased customer usage, we conduct technology learning programs every month at certain branches to engage with our customers and to encourage increased usage of the Bank's internet banking services, ATMs, cash deposit machines, mobile banking applications, net banking, point of sale ("**PoS**") machines and green remit cards, in addition to providing guidance on secure usage of these channels.

Further, we assimilate and intend to continue assimilating relevant customer information at our branches and ATMs in order to assess the suitability of the branch or ATMs location and accordingly monitor our cost efficiencies. For instance, we are in the process of merging or closing certain of our branches and ATMs which are not presently being utilized at optimal capacity, in order to decrease our operating costs. We also have undertaken certain initiatives to centralize our operations. For instance, we are in the process of centralizing and digitizing our filings for tax deducted at source from depositors, vendors, employees and pensioners, which we believe will decrease our operating costs.

We believe we can maintain a relatively low-cost funding base, by leveraging our strengths, such as our brand name, and expanding our base of retail savings and current deposits. The Bank's average cost of funds (excluding equity) was 5.04% during the six month period ended September 30, 2017 and our average cost of funds (excluding equity) was 5.24% during Fiscal 2017. The Bank's CASA deposits share was 44.38% of our total domestic deposits as at September 30, 2017 and our CASA deposits share was 45.97%% of our total domestic deposits as at March 31, 2017. As a result, the Bank's operating costs declined by 2.15% to ₹ 5,611.72 crore as at September 30, 2017 from ₹ 5,735.16 crore as at September 30, 2016.

Also see "***Risk Factors—The effects of the Government of India's recent demonetization decision are uncertain***" on page 50.

Focus on portfolio quality

Though a reduction in impaired assets and an improvement of the quality of our assets through recovery and due diligence measures have been our key focus area in the recent past, we intend to continue to focus on reducing our impaired assets with the objective of reducing our NPA levels, while improving the quality of our assets. The Bank's gross NPAs, as a percentage of gross advances, were 13.31% and 12.53% as at September 30, 2017 and March 31, 2017, respectively, compared with 13.63% and 12.90% as at September 30, 2016 and March 31, 2016, respectively. The Bank's gross NPAs were ₹ 57,630.11 crore and ₹ 55,370.45 crore, respectively, and the Bank's net NPAs were ₹ 34,570.15 crore and ₹ 32,702.11 crore, respectively, as at September 30, 2016 and March 31, 2016. As at September 30, 2017, large industry, MSME and retail comprised 32%, 20% and 18% of the Bank's gross domestic advances, respectively. We have diversified our gross domestic advances, such that as at September 30, 2017, the Bank's advances to large industry, MSME and retail were ₹ 1,22,600 crore, ₹ 79,300 crore and ₹ 71,200 crore as compared to ₹ 1,20,200 crore, ₹ 79,300 crore and ₹ 61,400 crore, respectively, as at September 30, 2016, demonstrating a yearly growth of 2%, 0% and 16% respectively.

In the first quarter of Fiscal 2018, we launched "*Parivartan*", our business transformation strategy ("**BT Strategy**"), with the principal objectives of (a) improving credit growth and asset quality; (b) leveraging alternate delivery channels and (c) increasing profitability. As part of the BT Strategy, we intend on improving our credit growth and our asset quality by undertaking certain initiatives such as the "get them campaign" which endeavours to bring in high rated customers and the establishment of single service window mechanisms through our retail asset processing centres, which provide for faster turn-around time, thereby increasing our operational efficiencies. Our strategies for reducing NPAs include improving the quality of credit through compliance with documented loan sanction policies and procedures and by actively monitoring the Bank's loan accounts, which are considered to be "special mention accounts" or "likely NPAs" on a daily basis. We are also placing emphasis on segments such as roads and infrastructure, and other such relatively strong sectors, which benefit from government initiatives such as *Bharatmala*, a sponsored and funded road and highway project undertaken by the GoI and the *Sagarmala* project, an initiative undertaken by the GoI to enable the establishment of a number of ports and enhancing connectivity of ports in order to further limit our exposure to NPAs.

Further, we have adopted certain initiatives to reduce slippages and continue to take actions for speedy recoveries from overdue loan accounts, including the identification of stressed accounts for restructuring (or re-phasing in time), regular follow-up of due payments in loan accounts, conducting e-auctions for the sale of seized assets to asset reconstruction companies ("**ARCS**") and the initiation of stringent recovery or resolution measures against wilful defaulters, including actively participating in insolvency and bankruptcy proceedings of defaulting borrowers. We have appointed third party recovery or resolution agents for the expeditious recovery of NPAs and written off accounts. We have also set up an exclusive 'war room' to pro-actively monitor certain accounts which we may have significant exposure to. Additionally, we have also instituted a 'one-time settlement' mechanism with effect from May 1, 2017 which will be in effect until December 31, 2017 for resolving NPA accounts in the doubtful and loss category which have been outstanding for three years or more, with an outstanding of up to ₹ 5 crore, which we believe will result in recoveries. The one-time settlement mechanism resulted in recoveries of ₹ 172.59 crore until October 31, 2017.

Credit monitoring is a regular process of our day to day management of our credit portfolio. While all branch heads continue to be responsible for monitoring their respective loan portfolio, an additional layer of oversight is provided by our credit monitoring department. We have also formed a credit management committee, which is responsible for reviewing, strategizing and improving the management of our NPAs. We will continue to follow and strengthen the practice of credit monitoring and to improve the asset quality and continue to focus on investment grade borrowers with strong credit ratings.

Focus on digitization and technology

We believe that the increased usage of internet by consumers and access to data networks in India has led to the need for a comprehensive digital strategy by banks and financial institutions to proactively develop new methods of reaching customers. We intend to leverage our advanced technology infrastructure to further improve client and transaction management and achieve enhanced efficiency and productivity levels. We currently provide a range of options for customers to access their accounts, including internet banking and telephone banking, which as at September 30, 2017, facilitated more than 0.83 crore and 0.38 crore transactions, respectively, at the Bank. During Fiscal 2017, we also started use of a mobile based application, based on a Unified Payment Interface ("**UPI**") developed by the National Payments Corporation of India called "Bharat Interface for Money" ("**BHIM**"), pursuant to which our customers were able to access their bank accounts through their mobile devices. As at March 31, 2017, we had approximately 0.06 crore of our accounts registered with BHIM.

We believe additional investment in our technology infrastructure and in-house analytics to further develop our digital strategy will allow us to cross-sell a wider range of products available on our digital platform in response to our customers' needs and thereby expand our relationships across a range of customer segments. As our customers can interact with us more frequently than previously and easily access their accounts wherever and whenever they desire, we believe that a comprehensive digital strategy will provide opportunities for development of long-term customer relationships.

We plan to focus on operational and cost efficiencies, expansion of service delivery models and increasing penetration among existing and new customer segments. We have migrated all of our branches to our core banking application platform and expanded our ATM and internet banking networks, providing a comprehensive suite of mobile banking, debit and prepaid card services, and payment systems. We have undertaken certain initiatives during Fiscal 2018 such as the introduction of a pilot scheme *PNB E-Rupaya* pursuant to which we introduced pre-paid cards which may be used for digital transactions in rural areas with limited internet connectivity. Based on the success of the pilot scheme, we have identified 26 villages across India where the implementation of the PNB E-Rupaya Scheme is in the process of being implemented. We continue to focus on increased operational efficiencies by further optimizing our operating platform through technology enhancement and process streamlining, in order to achieve a more efficient operating model and to support new business models and distribution channels.

Also see "***Risk Factors—If we are unable to adapt to rapid technological changes, our business could suffer. Implementation of new information technology systems may result in technical difficulties.***" and "***Risk Factors—Significant security breaches could adversely affect our business. We may face cyber threats attempting to exploit our network to disrupt services to customers and/or theft of sensitive internal Bank data or customer information***" on pages 61 and 62, respectively.

Focus on capital optimization and explore sale of non-core assets

We have implemented a risk management architecture with focus on maximizing our business operations that, we believe, will in turn maximize our profits or return on average equity. In order to enable a more efficient, equitable and prudent allocation of resources, we endeavour to benchmark our operations on globally accepted risk management systems and conform to the Basel III framework, particularly in relation to capital adequacy. The Bank's capital adequacy ratio as at September 30, 2017, March 31, 2017, March 31, 2016 and March 31, 2015, in accordance with Basel III norms, was at 11.56%, 11.66%, 11.28% and 12.21%, respectively.

To counter the impact of the NPAs on our financial position, we are following a multi-pronged approach including creation of a robust follow-up and recovery mechanism that is monitored from our head office and creation of specialized NPA recovery branches to take control over high value NPAs from our other branches.

Further, we aim to reduce our dependence on high cost deposits and have already managed to reduce this to 0.09% of our total deposits during Fiscal 2017 from 2.42% during Fiscal 2015. This, we believe, will help in reducing our cost of funds. Additionally, we are also in the process of rationalizing our branch structure and reallocating resources to increase efficiencies and further aim to improve productivity by creating a culture of cost control and operational efficiency internally by striking an effective balance between people, processes and technology through the optimal allocation and utilization of resources.

We will focus on improving our capital adequacy ratios and focus on capital optimization. In order to enhance our capital base, in addition to this Issue, we intend to undertake the sale of non-core assets and investments as well as our shareholding in certain of our Subsidiaries and Associates. We have undertaken and are in the process of monetizing certain of our non-core assets such as certain real estate investments and properties. For instance, we have in November 2017, sold 98,15,860 equity shares of our Associate, PNBHFL, representing 5.88% of our shareholding in that entity pursuant to which we received proceeds of ₹ 1,312.30 crore.

See "***Risk Factors— The implementation of Basel III Guidelines may adversely affect us and we may face certain difficulties in maintaining our prescribed capital adequacy ratios. Failure to comply with the capital adequacy requirements stipulated by the RBI may materially and adversely affect our business and operations***" on page 46.

Focus on profitable growth in the priority segment

We believe that our priority sectors, such as agriculture and MSME industries, offer large and potentially profitable growth opportunities. Approximately 17.32% of India's GDP is derived from agriculture and the agricultural industry supports approximately two-thirds of India's population and accounts for approximately 12.26% of India's export earnings, according to the Ministry of Commerce and Industry. As at September 30, 2017, the Bank operated 61.61% of its branches were located in rural and semi-urban centers. We intend to maintain and enhance our position in agricultural lending and further strengthen our ties with the agricultural community and related agri-based industry participants.

We have a nationwide presence in, and extend finance to, the MSME industry. The Bank intends to further expand its MSME sector banking activities, which is in the process of getting further integrated into the formal Indian economic and banking system after the recent implementation of the GST regime.

As part of the Bank's strategy to focus its priority sector banking business, the Bank has undertaken the following initiatives, among others:

- Under the *PNB Gram Uday Scheme*, loans of up to ₹ 1,00,000 are provided for reclamation of soil, soil conservation measures, conditioning of land, purchase of seeds, bio-fertilizers, manure, compost and other materials for organic farming, to farmers who hold a soil health card;

- Under a scheme for financing landless agriculture labourers on unregistered leased land, loans of up to ₹ 1,00,000 are provided to landless labourers to undertake agricultural activity for financing unregistered leased land; and

- Under a scheme for women joint liability groups, we provide collateral free term loans or working capital facilities up to ₹ 10,00,000 without collateral.

We also endeavor to improve certain schemes for the priority sector which we have set up in the past. For instance, during Fiscal 2017, we enhanced the limit under our *PNB Krishi Bhu-Swani Yojana Scheme*, pursuant to which we provided loans to farmers to meet short-term agricultural needs and investment activities, from ₹ 10,00,000 to ₹ 20,00,000.

SELECTED FINANCIAL INFORMATION OF THE BANK

*The following summary financial information and other data should be read together with the sections "**Management's Discussion and Analysis of Financial Condition and Results of Operations**", "**Selected Statistical Information**" and "**Financial Statements**" beginning on pages 83,135, and 270, respectively.*

The summary financial information set forth below is derived from our audited standalone and consolidated balance sheets as at March 31, 2017, March 31, 2016 and March 31, 2015 and the related standalone and consolidated profit and loss account and the cash flow statements for the years ended March 31, 2017, 2016 and 2015, along with the schedules and notes thereto, and is presented in a format different from the financial statements referred to above, solely for the convenience of the reader. Neither the information set forth below nor the format in which it is presented should be viewed as comparable to information presented in accordance with Indian GAAP as applicable to banks in India and the guidelines issued by the RBI in this regard from time to time.

(i) The standalone operating results of the Bank for the years ended March 31, 2017, 2016 and 2015 are presented in the table below:

Particulars For the financial Year ended March 31	2017	(₹ 000 omitted) 2016	2015
I. Income			
Interest Earned	47,27,59,924	47,42,43,499	46,31,53,627
Other Income	8,95,13,723	6,00,00,517	5,89,07,319
Total	**56,22,73,647**	**53,42,44,016**	**52,20,60,946**
II. Expenditure			
Interest Expended	32,28,28,208	32,11,25,720	29,75,97,940
Operating Expenses	9,37,93,837	9,97,24,543	10,49,15,477
Provisions & Contingencies	13,24,03,584	15,31,37,713	8,89,31,686
Total	**54,90,25,629**	**57,39,87,976**	**49,14,45,103**
III. Profit			
Net Profit/ (Loss) for the year	1,32,48,018	(3,97,43,960)	3,06,15,843
Balance in Profit and Loss Account	0	0	0
Profit available for Appropriation	**1,32,48,018**	**(3,97,43,960)**	**3,06,15,843**
IV. Appropriations			
Transfer to Statutory Reserves	33,12,004	0	76,53,960
Transfer to Capital Reserves	51,37,039	11,17,341	8,53,997
Transfer to Revenue & Other Reserves	20,98,975	(4,08,03,267)	93,76,748
Transfer to Proposed Dividend	0	0	61,23,169
Transfer to Interim Dividend	0	0	0
Transfer to Tax on Dividend proposed for the year 2015-16	0	0	12,53,699
Balance Transferred from provision for Tax on Dividend	0	(58,034)	(29,834)
Transfer to Special Reserve as per Income Tax Act, 1961	27,00,000	0	27,50,000
Transfer to Investment Reserve	0	0	26,34,104
Balance in Profit and Loss Account	0	0	0
Total	**1,32,48,018**	**(3,97,43,960)**	**3,06,15,843**
Basic Earnings per Share (Face Value ₹ 2 each)	6.45	(20.82)	16.91
Diluted Earnings per Share (Face Value ₹ 2 each)	6.45	(20.82)	16.91

(ii) The consolidated operating results of the Bank for the years ended March 31, 2017, 2016 and 2015 are presented in the table below:

Particulars For the financial Year ended March 31	₹ in Crores 2017	 2016	 2015
I. Income			
Interest Earned	48,058.08	50,803.87	48,709.82
Other Income	9,167.58	6,099.63	6,174.60
Total	**57,225.66**	**56,903.50**	**54,884.42**
II. Expenditure			
Interest Expended	32,722.31	34,330.59	31,343.05
Operating Expenses	9,523.55	10,349.88	10,808.99
Provisions & Contingencies	14,078.67	15,886.30	9,390.96
Total	**56,324.53**	**60,566.77**	**51,543.00**
Consolidated Net Profit for the year of the parent & subsidiaries before Minority Interest	901.13	(3,663.27)	3,341.41
Less : Minority Interest	51.98	179.69	125.84
Consolidated Net Profit for the year of the parent & subsidiaries after Minority Interest	849.15	(3,842.96)	3,215.57
Share of earnings in Associates (net)	338.09	153.19	184.02
Consolidated Net Profit for the year attributable to the group	1,187.24	(3,689.77)	3,399.59
Add: Brought forward consolidated profit attributable to the group	694.54	846.68	647.70
Add : Transferred from Capital Reserve	0.00	0.00	0.00
III. Profit available for Appropriation	**1,881.78**	**(2,843.09)**	**4,047.29**
IV. Appropriations			
Transfer to Statutory Reserves	377.49	35.32	798.44
Transfer to Capital Reserve – Others	536.00	115.30	96.12
Transfer to Investment Fluctuation Reserve	0.00	20.85	282.77
Transfer to Other Reserve	(402.57)	(4,097.25)	940.96
Transfer to Special Reserve	270.26	58.68	306.24
V. Dividend including Dividend Tax			
Proposed Dividend for 2015-16	6.91	74.91	805.16
Interim Dividend	0.00	0.00	0.00
Corporate Social Responsibility	0.00	0.00	4.04
Balance transfer from provision for tax on Dividend	0.00	(5.80)	(2.98)
Balance carried over to consolidated Balance Sheet	1,093.69	954.90	816.55
Total	**1,881.78**	**(2,843.09)**	**4,047.29**
Basic Earnings per Share (Face Value ₹ 2 each)	5.78	(19.32)	18.78
Diluted Earnings per Share (Face Value ₹ 2 each)	5.78	(19.32)	18.78

(iii) The standalone balance sheet of the Bank as at March 31, 2017, 2016 and 2015 are presented in the table below:

Particulars As of March 31,	 2017	(₹ 000 omitted) 2016	 2015
Capital & Liabilities			
Capital	42,55,937	39,27,195	37,09,114
Reserves & Surplus	41,42,13,881	37,91,74,196	38,70,86,090
Deposits	6,21,70,40,164	5,53,05,11,281	5,01,37,86,389
Borrowings	40,76,33,354	59,75,52,434	45,67,05,459
Other Liabilities & Provisions	16,01,62,148	16,27,39,448	17,20,48,908
Total	**7,20,33,05,484**	**6,67,39,04,554**	**6,03,33,35,960**

Particulars As of March 31,	(₹ 000 omitted) 2017	2016	2015
Assets			
Cash & Balances with Reserve Bank of India	25,20,99,957	26,47,90,678	24,22,49,419
Balances with Banks & Money at Call & Short Notice	63,12,16,513	49,14,40,222	31,70,92,301
Investments	1,86,72,54,395	1,57,84,58,925	1,49,87,69,540
Advances	4,19,49,31,496	4,12,32,58,000	3,80,53,44,052
Fixed Assets	6,27,32,484	5,22,27,288	3,55,14,756
Other Assets	19,50,70,639	16,37,29,441	13,43,65,892
Total	**7,20,33,05,484**	**6,67,39,04,554**	**6,03,33,35,960**
Contingent Liabilities	3,32,83,13,334	3,35,79,59,224	2,73,94,53,849
Bills for collection	25,77,91,254	23,22,11,889	19,64,06,219

(iv) The consolidated balance sheet of the Bank as at March 31, 2017, 2016 and 2015 are presented in the table below:

Particulars As of March 31,	₹ in Crores 2017	2016	2015
Capital & Liabilities			
Capital	425.59	392.72	370.91
Reserves & Surplus	42,739.27	41,411.53	41,668.53
Minority Interest	780.63	728.65	548.95
Deposits	6,29,650.86	5,70,382.64	5,15,245.43
Borrowings	43,336.01	81,673.74	59,204.76
Other Liabilities & Provisions	16,378.55	18,203.68	18,972.59
Total	**7,33,310.91**	**7,12,792.96**	**6,36,011.17**
Assets			
Cash & Balances with Reserve Bank of India	25,410.36	26,492.19	24,435.78
Balances with Banks & Money at Call & Short Notice	65,968.73	52,557.19	33,823.44
Investments	1,91,527.16	1,65,126.48	1,56,761.66
Advances	4,24,230.49	4,46,083.03	4,04,614.06
Fixed Assets	6,297.76	5,308.12	3,655.77
Other Assets	19,876.41	17,225.95	12,720.46
Total	**7,33,310.91**	**7,12,792.96**	**6,36,011.17**
Contingent Liabilities	3,38,851.04	3,39,168.05	2,82,956.16
Bills for collection	25,805.94	23,255.66	19,640.62

(v) The standalone cash flow statement of the Bank for the years ended March 31, 2017, 2016 and 2015 are presented in the table below:

Particulars For the Financial year ended March 31,	(₹ 000 omitted) 2017	2016	2015
Net cash flow generated from / (used in) operating activities	12,49,70,528	17,04,53,689	5,61,86,730
Net cash flow generated from / (used in) investing activities	(52,71,846)	(78,27,370)	(84,86,671)
Net cash generated/ (used in) from financing activities	73,86,888	85,62,861	5,94,57,206
Net Change in Cash and Cash Equivalents	12,70,85,570	17,11,89,180	10,71,57,265
Cash and cash equivalents at the beginning of the year	75,62,30,900	58,50,41,720	45,21,84,455
Cash and cash equivalents at the end of the year	88,33,16,470	75,62,30,900	55,93,41,720

Notes:

1 Direct taxes paid (net of refund) are treated as arising from operating activities and are not bifurcated between investing and financing activities.
2 All figures in minus represents "Cash Out Flow"

(vi) The consolidated cash flow statement of the Bank for the years ended March 31, 2017, 2016 and 2015 are presented in the table below:

Particulars	**₹ in Crores**		
For the Financial year ended March 31,	**2017**	**2016**	**2015**
Net cash flow generated from / (used in) operating activities	21,938.03	14,167.00	4,813.60
Net cash flow generated from / (used in) investing activities	158.75	(1,351.51)	(871.80)
Net cash generated/ (used in) from financing activities	(9,767.07)	5,974.67	7,451.43
Net Change in Cash and Cash Equivalents	12,329.71	18,790.16	11,393.23
Cash and cash equivalents at the beginning of the year	79,049.38	58,259.22	46,865.99
Cash and cash equivalents at the end of the year	91,379.09	77,049.38	58,259.22

Notes:-
1 Direct taxes paid (net of refund) are treated as arising from operating activities and are not bifurcated between investing and financing activities.
2 All figures in minus represents "Cash Out Flow"

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information in this Preliminary Placement Document, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks and uncertainties described below are not the only ones relevant to us, the Equity Shares, the banking and financial services industry or India. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business, results of operations, financial condition and prospects. In making an investment decision, prospective investors must rely on their own examination of us and the terms of the Issue, including the merits and the risks involved. If any of the risks described below or other risks that are currently not known or deemed immaterial actually occur, our business, results of operations, financial condition and prospects could be adversely affected, the trading price of the Equity Shares could decline, and prospective investors may lose all or part of their investment.

*You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the Equity Shares. Prospective investors should read this section in conjunction with the other sections of this Preliminary Placement Document, in particular the sections "**Selected Statistical Information**", "**Our Business**", "**Industry Overview**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations**", beginning on pages 135,174,157 and 83, respectively, as well as the financial information included in the section "**Financial Statements**" beginning on page 270. This Preliminary Placement Document also contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Preliminary Placement Document. For further details, see the section "**Forward-Looking Statements**" beginning on page 16.*

Unless otherwise indicated, references to "the Bank", are to Punjab National Bank on a standalone basis and references to "the Group", "we", "us" or "our", are to Punjab National Bank, its Subsidiaries, Associates and Joint Venture on a consolidated basis. Unless otherwise indicated, the financial information used in this section is derived from the Bank's limited reviewed unaudited condensed standalone financial statements as at and for the six month periods ended September 30, 2017 and September 30, 2016, and our audited standalone and consolidated financial statements as at and for the financial years ended March 31, 2017, 2016 and 2015.

Risks relating to our business

1. Our business and financial performance are particularly vulnerable to interest rate risk.

One of the measures through which we analyze our financial performance is net interest income ("**NII**"), which represents our total interest earned less total interest expense that we pay on our interest-bearing liabilities. During Fiscals 2017, 2016 and 2015, our NII represented 1,291.72%, (446.46) % and 510.85% of our profit after tax, on a consolidated basis. The Bank's loan to deposit ratio as at September 30, 2017 was 64.49% and our loan to deposit ratio as at March 31, 2017, March 31, 2016 and March 31, 2015 was 67.47%, 74.55% and 75.90%, respectively. Another measure of our financial performance is our net interest margin ("**NIM**"), which for any given period represents the ratio of NII to the average of interest-earning assets. NII, NIM and the volume of such assets and liabilities tend to significantly impact our results of operations. During the six month period ended September 30, 2017, the Bank's NIM was 2.32%, and during Fiscals 2017, 2016 and 2015, our NIM was 2.38%, 2.60% and 3.15%, respectively. As at September 30, 2017, the Bank's loans and investments constituted 60.64% and 31.12%, respectively, of its interest earning assets. As at that date, the Bank's borrowings constituted 4.97% of its total liabilities.

Changes in market interest rates affect the interest we charge on our interest-earning assets differently from the interest we pay on our interest-bearing liabilities and also affect the value of our investments. We are particularly vulnerable to volatility and mismatch in generally prevailing interest rates, especially if the changes are sudden or sharp. For instance, our NIM could be adversely affected because the interest paid by us on our deposits could increase at a higher rate than the interest received by us on our advances and other investments. The requirement that we maintain a portion of our assets in fixed income government securities could also have a negative impact on our treasury income because we typically earn interest on this portion of our assets at rates that are generally less favorable than those typically received on our other interest-earning assets.

The interest we pay on our borrowings and the interest we charge on our loans are highly sensitive to a number of factors, many of which are beyond our control, including international economic and political conditions, India's GDP growth, inflation, the RBI's monetary policies, the applicable regulations prescribed by the RBI and competition in the banking and finance industry. Volatility and changes in interest rates could affect the interest rates we charge on our loans in a manner different from the interest rates we pay on our borrowings because of the different maturity periods applicable to our loans and borrowings and also because liabilities generally re-price faster than assets. An increase in general interest rates in the economy could also reduce the overall demand for finance and impact our growth.

We are also exposed to interest rate risk through our treasury operations and the treasury operations of our Subsidiary, PNB Gilts Limited, which is a primary dealer in government securities. A rise in interest rates or greater interest rate volatility could adversely affect our income from treasury operations. In an increasing interest rate environment, especially if the increase is sudden or sharp, we could be adversely affected by the decline in the market value of our fixed income securities and reduce our earnings from treasury operations. Similarly, sharp and sustained increases in the rates of interest charged on floating rate home loans, which are a material proportion of our loan portfolio, would result in an extension of loan maturities and higher monthly instalments due from borrowers, which could result in higher rates of default in this portfolio.

We cannot assure you that we will be able to adequately manage our interest rate risk in the future, which could adversely affect our NII and NIM, which could in turn materially and adversely affect our business, financial condition, results of operations and prospects. Also see "***Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations and Financial Condition—Interest Rates, Allocation of Funds and Costs of Funding—Interest Rates***" on page 95.

2. We are exposed to risks related to high levels of customer default and the resulting increase in non-performing assets as well as the provisions required under the requirements mandated by the RBI.

Our business involves lending money and accordingly, is subject to the risks of customer default, which includes default or delays in repayment of principal and/or interest on the loans we provide to customers. Customers may default on their obligations as a result of various factors, including certain external factors, which may not be within our control, such as developments in the Indian economy, movements in global markets, changes in interest rates and changes in regulations. Any negative trends or financial difficulties affecting our customers could increase the risk of their default. Our customers could also be adversely affected by factors such as bankruptcy, lack of liquidity, lack of business and operational failure. If our customers fail to repay loans in a timely manner or at all, our business, financial condition, results of operations and prospects could be materially and adversely affected. If we are not able to successfully manage the risks associated with lending to these customers, availability of credit may become difficult for us to make recoveries on these loans.

The Bank's gross non-performing assets ("**NPAs**") on a standalone basis were ₹57,630.11 crore as at September 30, 2017 representing 13.31% of the Bank's gross customer assets as at that date, while the Bank's net NPAs on a standalone basis were ₹34,570.15 crore as at that date, representing 8.44% of net customer assets of the Bank as at that date. Our gross NPAs on a consolidated basis were ₹55,370.45 crore, ₹55,818.33 crore and ₹25,694.86 crore as at March 31 2017, March 31, 2016 and March 31, 2015, respectively, representing 12.53%, 12.90% and 6.55%, respectively, of our gross customer assets as at such dates, while our net NPAs on a consolidated basis were ₹32,702.11 crore, ₹35,422.57 crore and ₹15,396.50 crore, representing 7.81%, 8.61% and 4.06% respectively, of our net customer assets as at those dates.

Our NPAs can be attributed to several factors, including adverse economic conditions and slow industrial and business growth in recent years, increased competition, regulatory changes, high levels of debt involved in financing of projects, lack of availability of credit, significant borrowings by companies in India at relatively high interest rates and volatility in industrial growth and commodity prices. In addition, we may need to provide for additional NPAs on account of factors such as the outstanding balance and valuation of securities and non-availability of adequate security cover. Based on regulatory feedback, with respect to our asset portfolio as at March 31, 2016, certain accounts aggregating to ₹137.50 crore have been identified as NPAs and we are required to classify them as such and make adequate provisions for them. Based on regulatory feedback, we were advised to create additional aggregate provisions of ₹792.20 crore in respect of 11 NPA accounts. Such additional provisions, to the extent they may be required, will need to be made by March 31, 2018. As at September 30, 2017, the Bank has made additional provisions of ₹150.68 crore out of the additional recommended provisioning of ₹792.20 crore. Our NPAs may increase in the future and any significant increase in our NPAs could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

The Bank's net provisioning coverage ratio ("**PCR**") during the six month period ended September 30, 2017 was 59.23% and our PCR, on a consolidated basis, during Fiscals 2017, 2016 and 2015 was 58.57%, 51.06% and 58.21%, respectively. The surplus from provisioning under the PCR as against the provisioning required under the prudential provisioning norms is required to be segregated into an account termed "counter cyclical provisioning buffer". Besides the PCR, the Bank has an internal estimate for loan losses and risks inherent in the credit portfolio while deciding on the level of provisions. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may undergo material changes. Any incorrect estimation of risks may result in our provisions not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio. While we have already made provisions for NPAs through September 30, 2017, we cannot assure you that the RBI will not further increase provisioning requirements in the future. Any future increases in provisions mandated by the RBI, or other regulatory changes, could materially and adversely affect our business, financial condition, results of operations and prospects. Also see "***Selected Statistical Information—Non-performing assets***" on page 151 and "***Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations and Financial Condition—Provisioning for non-performing assets***" on page 88.

3. We have a high concentration of loans to certain customers and if a substantial portion of these loans were to become non-performing, the quality of our loan portfolio could be adversely affected. In addition, we are exposed to risks relating to concentration of our NPAs.

As at September 30, 2017, the Bank's total exposure to borrowers (fund-based and non-fund based, including guarantees) was ₹4,94,567.39 crore, and as at March 31, 2017, March 31, 2016 and March 31, 2015, our total exposure to borrowers (fund-based and non-fund based, including guarantees) was ₹5,01,267.42 crore, ₹4,90,377.05 crore and ₹4,65,815.81 crore, respectively. As at September 30, 2017, the Bank's 10 largest individual borrowers together accounted for 12.51%. As at March 31, 2017, March 31, 2016 and March 31, 2015, our 10 largest individual borrowers together accounted for 10.61%, 9.29% and 8.75% of our total exposure, respectively.

As at September 30, 2017, the largest individual borrower accounted for 17.82% of the Bank's total capital funds. As at March 31, 2017, March 31, 2016 and March 31, 2015, the largest individual borrower accounted for 12.96%, 11.99% and 12.35%, respectively, of our total capital funds. As at September 30, 2017, the largest individual borrower group accounted for 28.67% of the Bank's total capital funds. As at March 31, 2017, March 31, 2016, and March 31, 2015, the largest individual borrower group accounted for 27.21%, 25.57% and 15.81%, respectively, of our total capital funds. NPAs relating to our top four borrowers contributed 18.00% of total NPAs as at March 31, 2017 and constituted 28.00% of the Bank's Tier I capital, as at that date.

Credit losses on these large single borrower and group exposures expose us to increased credit risk, which may lead to a significant increase in the level of our NPAs. We cannot assure you that the percentage of NPAs that we will be able to recover will be similar to our past experience of recoveries of NPAs. As a result of this concentration of our NPAs among a few borrowers, our liquidity and capital ratios are exposed to significant risk should these borrowers not repay the credit extended to them. If we are unable to make adequate recoveries in respect of these NPAs, we cannot guarantee that the Bank's capital ratios will not breach the RBI's minimum capital requirements.

Furthermore, the global economic slowdown, inconsistent industrial growth and the impact of global and Indian economic conditions on the equity and debt markets may also lead to an increase in the level of NPAs in our corporate loan portfolio. Although our loan portfolio includes loans to a wide range of businesses and industries, financial difficulties experienced by our customers or by particular sectors of the Indian economy, such as the power sector, the iron and steel sector, the telecom sector and the cement sector, to which we have significant exposures, could significantly increase our level of NPAs. The RBI's internal advisory committee (the "**IAC**") had directed banks in May 2017 to refer 12 identified non-performing accounts for resolution under the Insolvency and Bankruptcy Code, 2016 ("**IBC**"). The IAC had also recommended in May 2017 that banks should finalize and agree a viable resolution plan for certain other non-performing accounts within a period of six months, failing which banks would be required to file for insolvency proceedings under the IBC. As at September 30, 2017, the Bank was exposed to 29 such accounts with aggregate NPAs of ₹18,423.24 crore and in respect of which it had made provisions of ₹6,934.10 crore as at that date. As at September 30, 2017, the Bank had initiated insolvency proceedings under the IBC against 16 such large stressed accounts out of the 29 identified accounts. However, we cannot assure you that we will be able to make recoveries with respect to these accounts, in which event we believe that we will be required to make additional provisions of ₹1,986 crore in respect of these accounts by March 31, 2018, of which the Bank has already provided for ₹905 crore as at September 30, 2017. We cannot assure you that this amount will not be higher or lower by March 31, 2018. We also cannot assure you that the IAC or the RBI will not identify further such non-performing accounts. Also see "***—The effects of the Government of India's recent demonetization decision are uncertain***" on page 50.

In accordance with the RBI guidelines, accelerated provisions are made on non-performing advances which were not earlier reported by us as Special Mention Accounts ("**SMAs**") to the Central Repository of Information on Large Credits (the "**CRILC**"). Accelerated provision is also made on non-performing advances which are SMAs and a joint lenders' forum ("**JLF**") has not been convened by lenders as required by the RBI or they fail to agree upon a common corrective action plan ("**CAP**") within the stipulated timeframe. Based on recent regulatory feedback, certain discrepancies were noted in the classification of accounts and internal control over the monitoring of NPAs. Further, our existing stress testing framework does not include group-wide scenario analysis and may therefore not provide an accurate measurement of how our consolidated portfolios might be affected by certain financial stress.

If any or all of the aforementioned risks were to materialize, our business, financial condition, results of operations and prospects may be materially and adversely affected. Also see "***Selected Statistical Information—Concentration of loans and credit substitutes***" beginning on page 148, "***Selected Statistical Information—Regional concentration***" beginning on page 149 and "***Selected Statistical Information—Non-performing assets***" beginning on page 151.

4. The implementation of Basel III Capital Regulations may adversely affect us and we may face certain difficulties in maintaining our prescribed capital adequacy ratios. Failure to comply with the capital adequacy requirements stipulated by the RBI may materially and adversely affect our business and operations.

The RBI issued the Basel III Capital Regulations on May 2, 2012, pursuant to the Bank for International Settlements Basel III international regulatory framework, which was implemented from April 1, 2013. On July 1, 2015, the RBI issued a master circular on Basel III capital regulations (the "**Basel III Capital Regulations**"), consolidating all relevant guidelines on Basel III issued up to June 30, 2015. For further information on the Basel III Capital Regulations, see "***Regulations and Policies***" beginning on page 211.

The Basel III Capital Regulations require, among other things, higher levels of Tier I capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries and changes in the structure of non-equity instruments eligible for inclusion in Tier I capital. The Basel III Capital Regulations also set out elements of regulatory capital and the scope of the capital adequacy framework, including disclosure requirements of components of capital and risk coverage. The transitional arrangements for the implementation of Basel III capital regulations in India began on April 1, 2013, and the guidelines are required to be fully implemented by March 31, 2019. The phase-in arrangements for banks operating in India as stated in the Basel III Capital Regulations are set out in the following table:

(% of risk-weighted assets)

Minimum Capital Ratios	**April 1,**	**As at March 31**					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Minimum Common Equity Tier 1 ("**CET 1**") Ratio	4.50	5.00	5.50	5.50	5.50	5.50	5.50
Capital Conservation Buffer ("**CCB**")	-	-	-	0.625	1.25	1.875	2.50
Minimum CET 1 Ratio + CCB	4.50	5.00	5.50	6.125	6.75	7.375	8.00
Minimum Tier 1 Capital	6.00	6.50	7.00	7.00	7.00	7.00	7.00
Minimum Total Capital*	9.00	9.00	9.00	9.00	9.00	9.00	9.00

Minimum Total Capital + CCB	9.00	9.00	9.00	9.625	10.25	10.875	11.50
Phase-in of all deduction from CET 1 (in %)[#]	20.00	40.00	60.00	80.00	100.00	100.00	100.00

** The difference between the minimum total capital requirement of 9.00% and the Tier 1 requirement can be met with Tier 2 and higher forms of capital.*

[#] The same transition approach will apply to deductions from additional Tier 1 and Tier 2 capital.

As at September 30, 2017 and March 31, 2017, the Bank's capital adequacy ratio under the Basel III Capital Regulations was 11.56% and 11.66%, respectively, while its Tier I capital adequacy ratio was 8.88% and 8.91%, respectively. Based on regulatory feedback, there have been certain divergences noted between the Bank's reported total capital, CET 1 capital, Tier I capital and Tier II capital ratios and those assessed by the RBI under the Basel III Capital Regulations, as at March 31, 2017.Specifically, the RBI assessed the Bank's CET 1, Tier I Capital and total capital adequacy ratios as 7.12% (i.e. a divergence of 0.75% from the Bank's reported ratio), 8.15% (i.e. a divergence of 0.76% from the Bank's reported ratio) and 10.88% (i.e. a divergence of 0.78% from the Bank's reported ratio), respectively, as at March 31, 2017. The Bank's leverage ratio was assessed at 4.70% as against its reported ratio of 5.09%, as at March 31, 2017. The Bank's risk and capital position on the basis of quality of earnings, ability to raise capital, sources of capital infusion and level of leverage ratio, among other things may result in the Bank's supervisory capital being inadequate.

These divergences were primarily a result of the:

- Bank failing to make (i) ₹792.20 crore additional provisions for NPAs (as at September 30, 2017, the Bank had made additional provisions of ₹150.68 crore out of the additional recommended provisioning of ₹792.20 crore), (ii) ₹256.30 crore additional provisions for investments which were not marked to market (which investments have subsequently been either sold or fully provided for by the Bank as at September 30, 2017) and (iii) deduction required from CET 1 capital of ₹2,026.60 crore towards allocation to pension fund assets as a result of recognition of interest on pension fund assets as part of fair valuation, over and above the present value of obligations of the pension or superannuation funds on the Bank's balance sheet (as at September 30, 2017, the Bank has reversed ₹938.98 crore); and

- divergence in the computation of RWAs by ₹4,351.60 crore.

Further, based on the above, as at September 30, 2017, the CET1 ratio notionally works out to 7.23% against a minimum requirement of 6.75% while Tier 1 ratio works out to be 8.44% against a regulatory requirement of 8.25% (the profit for the period of six months ended September 30, 2017 of ₹903.98 crore and the profit earned from the sale of a partial stake in PNBHFL in November 2017 are not accounted for yet).

We cannot assure you that the Government of India ("**GoI**") will infuse capital in the Bank or that it will be able to raise adequate additional capital in the future on terms favorable to us, or at all, in order to meet the required capital adequacy ratios. If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities and the payment of dividends by us.

The RBI and/or any other relevant authority, including the relevant regulatory authorities in the jurisdictions where our branches are located, may implement certain reforms, including the terms which the Bank's capital securities are required to have, in a manner that is different from that which is currently envisaged, or may impose more onerous requirements. Unless we are able to access the necessary amount of additional capital, any incremental increase in the capital requirement may adversely affect our ability to grow our business or may require us to withdraw from, or to curtail, some of our current business operations. Further, the Basel III Capital Regulations, when fully implemented, may adversely affect the position of any holder of the Equity Shares.

If any or all of the aforementioned risks were to materialize, our business, financial condition, results of operations and prospects could be materially and adversely affected. Also see "***Selected Statistical Information—Financial ratios***" beginning on page 138 and "***Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources***" beginning on page 121.

5. The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively.

We face competition in all principal areas of our business. Other public sector banks, private sector banks and foreign banks are our main competitors, followed closely by non-banking finance companies ("**NBFCs**"), asset management companies, development financial institutions, mutual funds and investment banks.

We may also face increased competition from foreign banks if the Indian retail market is further liberalized or if regulations and restrictions upon branch network growth by foreign banks are simplified or reduced, foreign banks may operate in India by establishing wholly owned subsidiaries which are allowed to raise Rupee resources through issue of non-equity capital instruments. In addition, wholly owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 3 centers except at specified locations considered sensitive for national security reasons.

Further, the New Bank Licensing Guidelines were issued by the RBI in February 2013 specifying that selected entities or groups in the private sector, entities in the public sector and non-banking financial companies with a successful track record of at least 10 years would be eligible to provide banking services. On April 2, 2014, the RBI granted in-principle approval to two applicants to set up universal banks under the New Banks Licensing Guidelines. In the future, the RBI may issue further licenses under the liberalized license regime. The RBI has also issued guidelines dated November 27, 2014 on licensing of "small finance banks" and "payments banks" in the private sector in the banking industry, including the eligibility criteria, scope, capital requirements, shareholding structure, prudential norms, and other corporate governance practices applicable to such proposed entities.

RBI granted in-principle approvals to 11 applicants to set up payment banks. Airtel Payments Bank Limited began operations as India's first payments bank in January 2017. They were subsequently followed by India Post, FINO PayTech, Jio Payments Bank, PayTM, National Securities Depository Limited and Aditya Birla Idea Payments Bank, making a total of seven payments banks in India. Additionally, RBI had granted in-principle approvals to 10 small finance banks in September 2015 pursuant to which, five small finance banks, Capital Small Finance Bank Limited, Suryoday Small Finance Bank Limited, Equitas Small Finance Bank Limited, Utkarsh Small Finance Bank Limited and Ujjivan Small Finance Bank Limited have already commenced operations. Further, the RBI issued guidelines for universal banking licenses in August 2016 which can be applied for at any time. In accordance with these guidelines, resident individuals or professionals who are resident Indian and have 10 years of experience in banking and finance at a senior level and existing NBFCs that are controlled by resident Indians and have a successful track record of at least 10 years may apply for the license. Further, entities or groups in the private sector that are owned and controlled by resident. Indians are also eligible promoters provided that they have a successful track record of at least 10 years and if such entity or group has total assets of ₹5,000 crore or more, the non-financial business of the group does not account for 40.00% or more in terms of total assets or gross income.

Any increase in operations of existing competitors or entry of additional banks offering similar or a wider range of products and services could increase competition. In addition, the moderation of growth in the Indian banking sector is expected to lead to greater competition for business opportunities. The GoI is also actively encouraging banks and other financial institutions to significantly increase their lending to the agricultural and other priority sectors, which will make those segments more competitive.

Our inability to compete effectively with other participants, as a result of any or a combination of the aforementioned factors, could materially and adversely affect our business, financial condition, results of operations and prospects.

6. Our risk profile is linked to the Indian economy and the banking and financial markets in India, which are still evolving.

Our credit risk may be higher than the credit risk of banks in some developed economies. The credit risk profiles of our borrowers differ significantly from those of borrowers of most banks in developed countries due to factors such as a high level of uncertainty in the Indian regulatory, political, economic and industrial environment, and difficulties that many of our borrowers face in adapting to instability in world markets and technological advances taking place across the world. Unlike developed countries, India does not have a comprehensive fully operational nationwide credit information bureau. This may affect the quality of information made available to us about the credit history of the borrowers, especially individuals and small businesses. In addition, the credit risk of our borrowers, particularly small- and mid-level companies, is higher than borrowers of most banks in more developed economies.

We are required by applicable RBI regulations to extend 40.00% of our adjusted net bank credit ("**ANBC**") or credit equivalent amount of off-balance sheet exposure, whichever is higher, to certain priority sectors, such as agriculture, micro, small and medium enterprises, export credit, education, housing, social infrastructure, renewable energy and others. The applicable RBI regulations include lending requirements within the overall requirement of 40.00%, including 18.00% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, for agriculture (and within such requirement, 8.00% for small and marginal farmers), and 7.50% and 10.00% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, for micro-enterprises and advances to weaker sections, respectively. Economic difficulties may affect borrowers in such priority sectors more severely, which could materially and adversely affect our NPA levels and our ability to control the portfolio quality in such priority sectors is limited. Any shortfall may be required to be allocated to investments yielding sub-market returns.

In addition, several of our corporate borrowers have in the past suffered from low profitability because of various reasons, including increase in competition, a sharp decline in commodity prices, high debt burden at high interest rates, and other factors. An economic slowdown and a general decline in business activity in India could impose further stress on these borrowers' financial soundness and profitability and thus expose us to increased credit risk. This may lead to an increase in the level of our NPAs, which could adversely affect our business, financial condition, results of operations and prospects.

Further, our activities in India are widespread and diverse and involve employees, contractors, counterparties and customers with widely varying levels of education, financial sophistication and wealth. Although we seek to implement policies and procedures to reduce and manage marketplace risks as well as risks within our own organization, certain risks remain inherent in doing business in a large developing country. We cannot eliminate these marketplace and operational risks, which may lead to legal or regulatory actions, negative publicity or other developments that could reduce our profitability. In the aftermath of the global financial crisis, regulatory scrutiny of these risks is increasing.

If any or all of the aforementioned risks were to materialize, our business, financial condition, results of operations and prospects could be materially and adversely affected.

7. A substantial portion of our loans have a tenor exceeding one year, exposing us to risks associated with economic cycles and project success rates.

As at September 30, 2017, loans with remaining tenor exceeding one year represented 77.48% of the Bank's total advances and represented 77.48%, 75.94%, 64.64% and 67.96% of our total advances as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively. The long tenor of these loans may expose us to risks arising out of economic cycles. In addition, 17.67% of the Bank's total number of loan accounts as at September 30, 2017 were project finance loans. We cannot assure you that these projects will perform as anticipated, or that such projects will be able to generate cash flows as estimated to service commitments under the loans. We are also exposed to infrastructure and real estate projects that are still under development and are susceptible to risks arising out of delay in execution, failure of borrowers to execute projects on time, delay in getting approvals from necessary authorities and breach of contractual obligations by counterparties, all of which may adversely affect our projected cash flows. Although we have in place certain risk analysis and mitigation mechanisms and procedures to monitor our project finance borrowers, these procedures may not be effective, as projects often get delayed due to extraneous factors. Risks associated with a recession in the economy and a delay in project implementation or commissioning could lead to a rise in delinquency rates and, in turn, adversely affect our business, financial condition, results of operations and prospects.

8. Deterioration in the performance of certain industry sectors where we have significant exposure may adversely affect our business.

There have been several industry sectors which have been adversely affected in recent years. For instance, the iron and steel sector, to which the Bank has significant exposure, suffered distress in the past few years on account of the dumping of cheap materials from China. As at September 30, 2017, this sector accounted for NPAs of ₹14,782.90 crores of a total exposure of ₹33,927.38 crores, reflecting that a significant portion of the exposure was classified as NPAs. Further, in Fiscal 2017, the Bank's exposure to NBFCs increased by

26.00%. As at September 30, 2017, the Bank also had a significant exposure to the power sector and the telecom sector. The table below sets out the Bank's and our five largest domestic fund-based industry exposures, as at the dates indicated:

(in ₹ crores, except for percentages)

Particulars	The Bank		The Group					
	September 30, 2017		March 31, 2017		March 31, 2016		March 31, 2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Infrastructure*	63,599.36	32.75%	66,160.27	33.57%	60,722.03	31.16%	80,472.35	44.13%
Metal	37,934.01	19.53%	37,562.28	19.06%	37,550.09	19.27%	16,501.97	9.05%
Others	31,018.48	15.97%	29,668.81	15.05%	32,929.01	16.90%	29,962.05	16.43%
All Engineering Product	12,876.86	6.63%	11,961.26	6.07%	11,707.50	6.01%	5,270.27	2.89%
Textile	12,051.53	6.21%	13,160.29	6.68%	12,985.35	6.66%	12,097.19	6.63%
Total	2,86,755.24	85.68%	2,84,347.91	84.75%	2,90,696.98	86.39%	2,70,208.83	87.50%

** Includes the Bank's exposure to the power sector and the telecom sector.*

We are exposed to risk of significant deterioration in the performance of a particular sector which may be driven by events outside our control. For instance, regulatory action or policy announcements by the GoI, state government authorities or the courts may adversely affect the ability of borrowers in that industry to service their debt obligations. Our retail loan portfolio has grown over the years, but there is limited data on historical loss ratios in retail loans, especially in the event of an economic slowdown.

Based on regulatory feedback, NPAs, a high level of SMA-1 and SMA-2 exposure and a comparatively low level of upgrading from sub-standard risk, led to a high default risk during Fiscal 2017. Other risks relating to its portfolio that the Bank faces are downgrades in rated exposures and exposures not rated for more than 12 months and an increase in unrated exposures, low level of exposure collateralized by non-financial readily realizable securities and insignificant exposure secured by financial collateral, high exposure to stressed sectors (resulting in an elevated concentration risk) and infrastructure, as well as to projects and projects under implementation, high tenor risk in its credit portfolio due to the high weighted average residual maturity of its exposures; and unhedged foreign currency corporate exposure, among others.

Also see "***Selected Statistical Information—Concentration of loans and credit substitutes***" on page 148, "***Selected Statistical Information—Regional concentration***" on page 149 and "***Selected Statistical Information—Top 10 Non-Performing Assets***" on page 156.

While our portfolio includes loans to a wide variety of businesses, we cannot assure you that financial difficulties in any of these industrial sectors will not increase the level of NPAs and restructured assets, and may therefore adversely affect our business, financial condition, results of operations and prospects.

9. The effects of the Government of India's recent demonetization decision are uncertain.

On November 8, 2016, the GoI announced that it will discontinue ₹500 and ₹1,000 banknotes as a form of legal tender from November 9, 2016 and issued new ₹500 and ₹2,000 banknotes in exchange for the discontinued banknotes. The long-term impact of this move on the Indian economy and the banking sector is uncertain. The demonetization has resulted, and may continue to result, in a slowing down of the Indian economy which may adversely affect our business. Post-demonetization, there has been an increase in the current account savings account ("**CASA**") deposits of banks. The sharp increase in the share of CASA deposits in aggregate deposits by 4.10% to 39.30% (up to February 17, 2017) resulted in a reduction in the cost of aggregate deposits, and banks have correspondingly lowered their term deposit rates. The cost of CASA at 3.20% is significantly lower than the weighted average term deposit rate at 7.10%. Banks have also lowered their term deposit rates; the median term deposit rate declined by 38 bps from November 2016 to February 2017. CASA deposits in aggregate deposits with the scheduled commercial banks ("**SCBs**") increased by 4.00% to 39.20% as at March17, 2017 from the pre-demonetization period. The decline in the cost of funding resulted in a decline in the one-year median marginal cost of funds based lending rate by as much as 70 bps post-demonetization (November 2016 to February 2017). *(Source: Macroeconomic Impact of Demonetization–A Preliminary Assessment; Reserve Bank of India.)*

The Bank's deposits increased by ₹68,652.89 crore, or 12.41%, to ₹6,21,704.02 crore as at March 31, 2017 from ₹5,53,051.13 crore as at March 31, 2016, primarily on account of growth in the Bank's savings deposits, which increased by 26.40% to ₹2,14,162.55crore as at March 31, 2017 from ₹1,69,426.35 crore as at March 31, 2016. The Bank's savings deposits increased largely due to demonetization, which helped the Bank to access a larger customer base than it had previously. CASA deposits contributed 44.38% to the Bank's total domestic deposits as at September 30, 2017 and contributed 45.97%, 41.63% and 40.57% to our total domestic deposits as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively. The Bank's average cost (i.e., interest expense divided by average of daily balances) of savings deposits was 3.87% during the six month period ended September 30, 2017 on a standalone basis, while our average cost of savings deposits was 4.00%, on a consolidated basis, during each of Fiscals 2017, 2016 and 2015 respectively.

This reflected in certain exceptional benefits in the Bank's net interest income and contributed to its profits during Fiscal 2017 and during the six month period ended September 30, 2017. However, expected increases in credit provisioning costs may continue to erode profitability in the future. In the event we are not able to maintain our average cost of deposits in the future, our NII may decrease and our business, financial condition, results of operations and prospects could be materially and adversely affected. Also see "***Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations and Financial Condition—Impact of demonetization on the Indian banking sector***" on page 87.

10. Our failure to maintain the desired levels of customer deposits or advances could materially and adversely affect our business operations.

Customer deposits are one of our primary sources of funding, and are considered to be relatively more stable than the other sources of funds available to us. However, many factors affect the growth of deposits, some of which are beyond our control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, retail customers may reduce their deposits and increase their investment in securities for a higher return, while MSMEs and corporate customers may reduce their deposits in order to fund projects in a favorable economic environment. We face strong competition in attracting new deposits in the Indian market and we cannot assure you that we will be successful in growing the number of our depositors or the amount of deposits at the same rate as we have in the past. Public confidence in banks also depends on a bank's image, brand value, ownership, soundness of the regulatory and supervisory system in force and insurance coverage for customers' deposits. In the event there is any negative perception among customers about our brand name or reputation, we cannot assure you that we will be able to attract new deposits.

In the event of a decrease in deposits, we may be required to pay higher interest rates to attract deposits, which could adversely affect our performance. The interest rates that we must pay to attract deposits are determined by various factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. Also see "***Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations and Financial Condition—Interest Rates, Allocation of Funds and Costs of Funding—Interest Rates***" on page 95.

If policy interest rates continue to decline in India, we cannot assure you that we will be able to continue to offer attractive interest rates on our deposits, which could lead to limit our ability to attract deposits. Our continued business growth, liquidity and profitability will depend on our ability to obtain adequate funding on acceptable terms from relatively stable and cost-effective sources of funds. If we fail to maintain our desired level of deposits, we may need to seek more expensive sources of funding, and it is uncertain whether we will be able to obtain additional funding on commercially reasonable terms as and when required. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected. Our ability to raise additional funds may be impaired by factors over which we have little or no control, such as deteriorating market conditions or disruptions in the financial markets.

Conversely, we may not be able to reduce our deposits if we experience surplus liquidity. We must find ways to lend surplus funds to existing or new borrowers in order to earn interest income and protect our net interest margins. If we cannot secure sufficient loan volumes or earn sufficient interest from our lending or investing activities, due to economic conditions or other factors, our ability to earn income and maintain or increase our net interest margins may be materially and adversely affected. For instance, post-demonetization, our deposits have increased significantly. However, we continue to face difficulties with deployment of such surplus funds in the form of advances because of an increase in our stressed assets and NPAs levels. In such circumstances, our business, financial condition and results of operations could be materially and adversely affected.

11. *Our loan portfolio contains significant advances to the agricultural sector and is exposed to risks related to changes in lending rates applicable to this sector.*

Our loan portfolio contains significant advances to the agricultural sector. As at September 30, 2017, the Bank's loan portfolio of advances to the agricultural sector amounted to ₹67,503 crore, representing 15.60% of the total outstanding loan portfolio and 18.48% of the ANBC as at such date. Our loan portfolio of advances to the agricultural sector (on a consolidated basis) amounted to ₹65,629 crore, ₹62,604 crore and ₹59,157 crore as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively, which represented 14.86%, 14.5% and 15.1% of the total outstanding loan portfolio, as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively. These represented 18.56%, 18.32% and 18.68%, respectively, of the ANBC as at those dates. The GoI's agricultural lending plans may require public sector banks, including us, lending at below market rates in the agricultural sector.

The applicable RBI guidelines stipulate that our agricultural advances be 18.00% of the ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. Within the 18.00% target for agriculture, a target of 8.00% of the ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, is required to be advanced to small and marginal farmers. In addition, the market may perceive the exposure of public sector banks to the agricultural sector to involve higher risks. Further, state governments have recently waived loans to certain customer segments, such as the Uttar Pradesh state government's waiver of loans to farmers, which may adversely affect the overall loan recovery climate. This may negatively affect the risk-adjusted returns of public sector banks and may adversely affect our business. In the event we are required to increase our exposure to the agricultural sector pursuant to GoI mandated directed lending, it may adversely affect our business, financial condition, results of operations and prospects.

12. *Any increase in the prescribed cash reserve ratio ("CRR") and statutory liquidity ratio ("SLR") requirements that we are required to maintain could adversely affect our business and performance.*

We are subject to certain CRR requirements as prescribed under RBI regulations, which is our balance held in a current account with the RBI and which is calculated as a specified percentage of our net demand and time liabilities, excluding interbank deposits. The CRR currently applicable to banks in India is 4.00% and banks do not earn any interest on those reserves. All banks operating in India are also required to maintain an SLR, which is a specified percentage of a bank's net demand and time liabilities by way of liquid assets such as cash, gold or approved unencumbered securities. Approved unencumbered securities consist of unencumbered Government securities and other securities as may be approved from time to time by the RBI and would earn lower levels of interest as compared to advances to customers or investments made in other securities. For further information, see "***Regulations and Policies***" beginning on page 211.

In an environment of rising interest rates, the value of Government securities and other fixed income securities may depreciate. A decline in the valuation of our trading book as a result of rising interest rates may adversely affect our business, financial condition, results of operations and prospects. As a result of the statutory requirements, we may be more structurally exposed to interest rate risk as compared to banks in other countries. Further, the RBI may increase the CRR and SLR requirements to significantly higher proportions as a monetary policy measure. Any increases in the CRR from the current levels could affect our ability to deploy funds or make investments, which could in turn adversely affect our results of operations. If we are unable to meet the requirements of the RBI, the RBI may impose penal interest or prohibit fresh deposits, which may materially and adversely affect our business, financial condition, results of operations and prospects.

13. *We may face asset-liability mismatches, which could affect our liquidity and profitability.*

Assets and liability mismatch ("**ALM**"), which represents a situation when the financial terms of an institution's assets and liabilities do not match, is a key financial parameter for us. We meet a significant portion of our funding requirements through short and medium-term borrowings from sources such as deposits raised from retail and corporate customers, inter-bank deposits, borrowings from financial institutions and public and private issuance of bonds. However, a significant portion of our assets (such as loans to our customers) have maturities with longer terms than our borrowings. We may face potential liquidity risks as a result of maturity and interest rate mismatches between our assets and liabilities. We may also have to source additional funding if we face stress in the market.

We cannot assure you that a substantial number of our customers will roll over their deposits with us upon maturity, and we may be required to pay higher interest rates in order to attract or retain further deposits. Moreover, raising long-term borrowings in India has historically been challenging. Our inability to obtain additional credit facilities or renew our existing credit facilities for matching tenure of our liabilities in a timely and cost-effective manner, or at all, may adversely affect our liquidity position. Furthermore, the long average tenure of our loans may expose us to risks arising out of economic cycles and our exposure to liquidity risk may increase as a result of an increase in delinquency rates on our loans or the risk of being unable to liquidate a position in a timely manner at a reasonable price, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

We cannot assure you that we will be able to maintain a positive ALM. We may rely on funding options with a short term maturity period for extending long term loans, which may lead to negative ALM. Further, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers. Any mismatch in our ALM, may lead to a liquidity risk and may adversely affect our operations and profitability. Also see "***Selected Statistical Information—Asset liability gap***" on page 145.

14. *Changing laws, rules and regulations and legal uncertainties may adversely affect our business, financial condition, results of operations and prospects.*

We are present through our Subsidiaries, Joint Venture and Associates, in diverse segments of the Indian financial sector, including asset and funds management, investment banking and life insurance, among others. The regulatory and policy environment in which we operate is evolving and subject to change. Banks in India are subject to detailed regulation and supervision by the RBI. In addition, banks are generally subject to changes in Indian law, as well as to changes in regulations, government policies and accounting principles. We operate in a highly regulated environment in which the RBI extensively supervises and regulates all banks. Our business could be directly affected by any changes in policies for banks in respect of directed lending, reserve requirements and other areas. For example, the RBI could change our methods of enforcing directed lending standards so as to require more lending to certain sectors, which could require us to change certain aspects of our business. In addition, we could be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific businesses or those that reduce our profits through a limit on either fees or interest rates that we may charge our customers or those affecting foreign investment in the banking industry, as well as changes in other governmental policies and enforcement decisions, income tax laws, foreign investment laws and accounting principles. The laws and regulations governing the banking sector, including those governing the products and services that we provide or proposes to provide, such as our life insurance or asset management businesses, or derivatives and hedging products and services, could change in the future.

The lending norms of the RBI require every scheduled commercial bank to extend 40.00% of its ANBC or credit equivalent of off-balance sheet purposes, whichever is higher, to priority sectors. Economic difficulties are likely to affect those borrowers in priority sectors more severely. As at March 31, 2017, our lending to priority sectors accounted for 40.49% of ANBC. On November 7, 2012 the RBI issued guidelines to consolidate the various instructions or guidance on liquidity risk management and to harmonize and enhance these instructions or guidance in line with the principles for sound liquidity risk management and supervision as well as the Basel III Capital Regulations. They include enhanced guidance on liquidity risk governance, the measurement, monitoring and reporting of liquidity positions to the RBI and minimum global regulatory standards of liquidity coverage ratio ("**LCR**"). RBI also issued the final guidelines on 'Framework on Liquidity Standards – Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and LCR Disclosure Standards' on June 9, 2014 to be implemented by the banks immediately and the LCR binding on banks from January 1, 2015. The RBI issued the draft guidelines for net stable funding ratio ("**NSFR**") standards in May 2015 and the final guidelines on NSFR, when issued, will be binding on banks from January 1, 2018.

We are subject to an annual financial inspection by the RBI pursuant to Section 35 of the Banking Regulation Act. In the past, certain observations were made by RBI during the inspection regarding our business and operations in its annual financial inspection reports, identified certain weakness in the operations and performance of the Bank, including deficiencies in applying appropriate risk weights to certain accounts, deficiencies in identifying unhedged foreign exchange exposure of certain clients and associated capital and provisioning for certain clients. In addition, deficiencies were observed in computation of capital exposures to central counterparties and the process of held to maturity classification. Inspection by the RBI is a regular exercise and is carried out periodically by the RBI for all banks and financial institutions under the Banking Regulation Act. In the event we are unable to resolve these deficiencies to the RBI's satisfaction, it may result in a restriction of our ability to conduct our business as currently conducted. In the event we are unable to comply with the observations made by the RBI, we could be subject to penalties and restrictions which may be imposed by the RBI. Further, following any such inspection reported by the RBI to the Government, the Government is empowered to prohibit us from taking deposits or direct the RBI to apply for winding up of the Bank. We have been subjected to penalties in the past by the RBI, for further details, see "—***We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis"*** on page 55. Imposition of any such penalty or adverse finding during or any such further taken following any inspection may have a material adverse effect on our reputation, business, prospects, financial condition and results of operations.

Laws and regulations governing the banking sector may change in the future and any such changes and the related uncertainties with respect to the implementation of the new regulations may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, we may have to incur capital expenditure to comply with the requirements of any new regulations, which may also materially and adversely affect our business, financial condition, results of operations and prospects.

15. Our treasury income, debt investment portfolio and derivatives portfolio are exposed to risks relating to mark-to-market valuation, illiquidity, credit risk and income volatility.

The Bank had a debt investment portfolio (consisting of government securities, treasury bills and other debt securities) in available for sale and held for trading of ₹69,512.34 crore as at September 30, 2017. We run value-at-risk tests to manage risks in our investments, but in the event interest rates rise, our portfolio will be exposed to the adverse impact of the mark-to-market valuation of such investments. Any rise in interest rates leading to a fall in the market value of such debentures or bonds may materially and adversely affect our business, financial condition and results of operations. We face income volatility due to the illiquid market for the disposal of some of our debt investment portfolio.

Based on regulatory feedback, the Bank's investment in illiquid equity and bonds had significantly increased due to the conversion of debt in stressed accounts into equity or bonds, which increased the illiquidity of its investment portfolio. In addition, the Bank does not have a specific methodology or model for valuing illiquid portfolios and is not in a position to assess possible haircuts in the event of monetization. Moreover, based on regulatory feedback, there have been certain deficiencies in monitoring of exposures in restructured accounts and post loans-sanction conditions, among other matters.

Our income from treasury operations is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. For example, an increase in interest rates may have a negative impact on the value of certain investments such as Government securities and corporate bonds and may, under certain circumstances, require us to mark down the value of these investments on our balance sheet and recognize a loss on our income statement. Similarly, our derivative portfolio is subject to fluctuations in interest rates and foreign exchange rates, and any movement in those rates may require us to mark down the value of our derivatives portfolio. While we invest in corporate debt instruments as part of our normal business, we are exposed to the risk of an issuer defaulting on its obligations. Changes in corporate bond spreads also affect valuations and expose us to risk of valuation losses. Although we have risk and operational controls and procedures in place for our treasury operations, such as sensitivity limits, value at risk ("**VaR**") limits, position limits, stop loss limits and exposure limits that are designed to mitigate the extent of such losses, there can be no assurance that we will not lose our investments in the course of trading on our fixed income book in held for trading and available-for-sale portfolio. Any such losses could materially and adversely affect our business, financial condition, results of operations and prospects.

16. *We are subject to certain liquidity risks.*

The RBI has, as part of the Basel III liquidity framework, issued and will be issuing guidelines on liquidity management applicable to banks. Additionally, there are guidelines on liquidity, asset liability management and interest rate sensitivity issued by the RBI. The various liquidity requirements deal with LCR, which became effective on January 1, 2015, liquidity monitoring tools, stress testing, and other liquidity ratios. Based on recent regulatory feedback, the Bank's computation of LCR was deficient during Fiscal 2017 as it overestimated cash inflows by taking gross values arising from derivative contracts instead of the market value of these transactions and was inaccurately calculated. We cannot assure you that we will be able to maintain an LCR within the limits specified in the applicable RBI regulations and guidelines.

The Bank has been exposed to high contingent liquidity risk as the amount of undrawn commitments, as a percentage of total commitments, showed an increasing trend. It was exposed to a high amount of foreign currency liquidity requirements as its U.S. dollar liquidity requirements represented about 15.00% of its total liquidity requirements. Furthermore, the Bank's liquid assets were subjected to significant market liquidity risk but were not taken into account in the Bank's liquidity planning and strategy. Our failure to manage our liquidity positions may materially and adversely affect our business, financial condition, results of operations and prospects.

17. *We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis.*

We are required to comply with applicable AML and anti-terrorism laws and other regulations in India and in other jurisdictions where we have operations. These laws and regulations require us to adopt certain measures, including, to adopt and enforce "know-your-customer/ anti-money laundering/ combating financing of terrorism" ("**KYC/AML/CFT**") policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. Remittances and trade finance transactions are increasingly required to be covered under our scrutiny and monitoring. While we regularly adopt policies and procedures aimed at detecting and preventing the use of our banking networks for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures may not completely eliminate instances where we may be used by other parties to engage in money laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. In addition, there may be significant inconsistencies in the manner in which specific operational and KYC/AML/CFT policies are actually interpreted and implemented at an operational level in each branch and other customer interface levels. Our business and reputation could suffer if any such parties use us for money laundering or illegal or improper purposes.

Based on regulatory feedback, there were certain deficiencies in its internal management of information system and in our risk management functions. Should such deficiency lead to the recurrence of fraud, our business, financial condition and results of operations could be materially and adversely affected.

18. *We have had know-your-customer, anti-money laundering and other vigilance lapses in the past.*

Regulatory feedback has noted that we have had many instances of lapses relating to our compliance with KYC norms and AML laws and other customer information not being correctly assessed or captured, failure to update the risk status of customers, insisting on introduction for opening of accounts, delays in filing suspicious transaction reports ("**STRs**"), non-detection of forged notes, lack of effective follow up on Financial Intelligence Unit of India ("**FIU-IND**") observations, non-compliance with "Unique Customer Identification Code" allotment timelines, and have had no system to monitor large credits to small accounts and money mules, among other matters.

In light of these violations, we have been penalized by the RBI for violating existing guidelines on KYC and AML norms. During Fiscal 2017, there were also instances of consumer and legal action cases, vigilance cases filed against the Bank's senior officers, internal frauds and delays in reporting fraud cases to the RBI.

The Indian Central Bureau of Investigation has filed a First Information Report dated September 8, 2017 against officials of the Mint Street branch at Chennai of the Bank and others for conspiring and facilitating money laundering through shell companies during Fiscal 2015. RBI had earlier imposed a penalty of ₹3.00 crore in July 2016 in this case. Further, RBI had also imposed another penalty of ₹2.50 crore in July 2013 for

KYC/AML violations. The RBI had also cautioned us on putting in place appropriate measures and ensuring strict compliance of KYC requirements in April 2015. The FIU-IND had imposed a penalty of ₹0.03 crore in October 2015 with respect to non-reporting of attempted suspicious transactions, which was overturned in appeal by the appellate tribunal in favor of the Bank. While we have been working to strengthen our AML and KYC procedures, to the extent we fail to comply with applicable laws and regulations, we cannot assure you that there will not be instances of lapses or breaches in the future. Governmental and regulatory agencies to which we report have the power and authority to impose fines and other penalties or institute criminal proceedings against our employees or us. Further, any action taken by such agencies could adversely affect our business, reputation, financial condition, results of operations and prospects.

19. We are exposed to risks derived from the performance of our Subsidiaries, Joint Venture and Associates.

We have five Subsidiaries, one Joint Venture and ten Associates (including five Regional Rural Banks) which in the aggregate contributed ₹ (137.56) crore and ₹338.01 crore to our consolidated profit/ (loss) during Fiscals 2017 and 2015, respectively, representing (11.59) % and 9.94% of our consolidated profit/ (loss) during those periods, respectively. During Fiscal 2016, our Subsidiaries, Joint Venture and Associates generated an aggregate of ₹284.63 crore of profit, while the Bank made a loss of ₹3,974.40 crore on a standalone basis, which resulted in our loss of ₹3,689.77 crore on a consolidated basis. Anything which affects the performance of any or all of certain key Subsidiaries and Associates could have a material impact on our performance on a consolidated basis.

Our wholly-owned subsidiary, PNB International Limited ("**PNBIL**"), incurred a loss of ₹612.47 crore during Fiscal 2017 as compared to a loss of ₹65.89 crore during Fiscal 2016. Due to a business re-evaluation exercise undertaken by PNBIL, its total business decreased by 21.95% to USD 2,212.00 million as at March 31, 2017 from USD 2,834.00 million as at March 31, 2016. PNBIL's expenditure to income ratio increased to 43.16% during Fiscal 2017 from 29.71% during Fiscal 2016 and its gross impaired advances increased to USD 299.39 million as at March 31, 2017 from USD 144.99 million at March 31, 2016 leading to additional impairment provisions of USD 153.39 million. The net impaired advances increased to USD 40.83 million as at March 31, 2017 from USD 36.37 million as at March 31, 2016. As a result, PNBIL's operating profit before provisions, tax and dividends decreased by 47.26% to USD 20.05 million during Fiscal 2017 from USD 38.26 million during Fiscal 2016 and declared a loss before tax of USD 133.34 million during Fiscal 2017.

The Bank had issued a letter of comfort in 2007 to the regulator in the United Kingdom, the Prudential Regulation Authority ("**PRA**"), committing that it shall provide financial support to PNBIL to assist it in meeting its financial commitments, as and when they fall due. The PRA had through its letter dated September 2, 2015 put PNBIL on its "watch list", where it continues to remain. The Bank subscribed to fresh capital of USD 100.00 million issued by PNBIL on March 31, 2017 to help it to meet the relevant minimum regulatory capital requirements in the United Kingdom. As at March 31, 2017, PNBIL had a CRAR of 21.70% after the capital infusion by the Bank. We cannot assure you that PNBIL's CRAR will improve, that it will be removed from the watch list or that any specific restrictions or penalties will not be imposed on PNBIL in the future. Any such penalties could affect PNBIL's performance, which could in turn materially and adversely affect our business, financial condition and results of operations.

20. We have had high cost to income ratios in prior periods and we may not be able to successfully grow our loan portfolio to derive economies of scale.

One of the key ratios we use to measure our performance is the cost to income ratio, which is the ratio of operating expenses divided by total operating income (i.e., total of net interest income and non-interest income). Our ability to improve our profitability depends on our efforts to continue to grow our loan portfolio and expand our operations, while at the same time reducing our costs. High cost to income ratios could adversely affect our operating margins, return on average assets and profitability. For further details, see "***Our Business***" beginning on page 174 and "***Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations and Financial Condition—Operating expenses and cost to income ratio***" on page 96.

In recent years, we have made certain investments towards our strategy to focus on digitization and technology. During the six month period ended September 30, 2017 the Bank's cost to income ratio was 46.35%, while during Fiscals 2017, 2016 and 2015, our cost to income ratio (on a consolidated basis) was

39.17%, 46.79% and 46.74%, respectively. As we continue to expand our business and operations consistent with our growth strategy, our operating expenses could increase in the future, primarily on account of our strategy to develop and focus on digitization and technology. Further, while we endeavor to strengthen our allocation of resources and while our cost to income ratio has decreased during Fiscal 2017, the Bank's cost to income ratio has increased during the six month period ended September 30, 2017. We cannot assure you that our cost to income ratio will decrease to or below the Fiscal 2017 levels, or that it will not increase to or above the Fiscal 2015 levels.

Further, our business could also be adversely affected by factors outside of our control such as decline in GDP growth, changes in regulatory policies, decline in customer demand for loans, inflation and changes in interest rates, which could increase our operating expenses. The growth in our loan portfolio and implementation of our growth strategies required in order to reduce the ratio of operating expenses to our loan portfolio may also place significant demands on our management, financial and other resources. Our inability to grow our loan portfolio successfully and implement our growth strategies could therefore result in an increase in our cost to income ratio, which may result in lower operating margins and returns on our average assets, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

21. We have, on a standalone and consolidated basis, incurred losses in the past and may incur losses in the future.

We had incurred net losses of ₹3,974.40 crore on a standalone basis and ₹3,689.77 crore on a consolidated basis during Fiscal 2016. This loss was primarily due the asset quality review undertaken by the RBI for banks in India in 2016. As part of that review, with respect to our asset portfolio as at March 31, 2016, the RBI identified certain accounts aggregating to ₹10,173.25 crore and instructed us to classify them as NPA and provide adequate provisions for them which resulted in the net losses incurred in Fiscal 2016. Accordingly, regulatory feedback has noted that there has been deterioration in the asset quality and the Bank may need to make a significant amount of provisions in the future in order to ensure a healthy balance sheet, and assessed the Bank's capacity to have a higher amount of retained earnings going forward as limited. We cannot assure you that we will not incur losses in the future. Also see "***—The effects of the Government of India's recent demonetization decision are uncertain.***", "***—We have a high concentration of loans to certain customers and if a substantial portion of these loans were to become non-performing, the quality of our loan portfolio could be adversely affected. In addition, we are exposed to risks relating to concentration of our NPAs.***" and "***—We are exposed to risks related to high levels of customer default and the resulting increase in non-performing assets as well as the provisions required under the requirements mandated by the RBI***" on pages 50, 45 and 44, respectively.

22. We have a large portfolio of government securities that may limit our ability to deploy funds in higher yield investments.

As a result of reserve requirements under applicable laws in India, we are more structurally exposed to interest rate risk than banks in many other jurisdictions. Under applicable RBI regulations, our liabilities are subject to the SLR requirement, which requires that a minimum specified percentage of a bank's net demand and term liabilities be invested in approved securities. The current SLR requirement is 19.50% but is subject to increase by the RBI in order to curb inflation or absorb excess liquidity. For further information, see "***Regulations and Policies***" on page 211.

As at September 30, 2017, government securities represented 75.49% of the Bank's domestic investment portfolio and comprised 26.65% of its demand and term liabilities. As at March 31, 2017, March 31, 2016 and March 31, 2015, government securities represented 79.95%, 80.76% and 83.04% of our domestic investment portfolio, respectively, and comprised 25.56%, 25.08% and 27.36% of our demand and term liabilities, respectively. We earn interest on such government securities at rates which are less favorable than those which we typically receive in respect of our retail and corporate loan portfolio, and this adversely affects our NII and NIM. In addition, the market and accounting value of such securities could be adversely affected by overall rising interest rates.

Although many of these government securities are short-term in nature, the market value of our holdings could decrease if interest rates increase. In such cases, we may have to choose between liquidating our investments and incurring losses, or holding the securities and potentially being required to recognize an accounting loss upon marking to market the value of such investments, and either outcome may adversely affect our business, financial condition, results of operations and prospects.

23. *Our loan portfolio contains exposures to home loans and real estate which may lead to an increase in our impairment losses.*

Our loan portfolio contains exposures to retail loans including loans for residential construction, purchase or renovations, loans against property and construction finance. The Bank's total home loan portfolio amounted to ₹38,630 crore or approximately 9.41% of its total advances as at September 30, 2017 and our total home loan portfolio (on a consolidated basis) amounted to ₹35,553 crore, or approximately 8.47%, of our total advances, as at March 31, 2017. Our exposure to this sector is expected to continue at these levels. Our ability to receive repayment and interest upon these loans is dependent upon various factors, including the health of the overall economy, whether our borrowers are able to repay us, whether builders and developers are able to complete their projects on time and on prevailing residential real estate prices. These and other factors could lead to an increase in our impairment losses and could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

24. *We are exposed to risks related to geographic concentration in the northern states of India.*

Our business is heavily dependent on economic conditions in the northern states of India and particularly, the states of Delhi, Punjab, Haryana and Maharashtra. As at September 30, 2017, 43.40% of the Bank's total outstanding deposits were from the northern states of India and as at March 31, 2017, March 31, 2016 and March 31, 2015, 42.80%, 42.90% and 42.20%, respectively of our total outstanding deposits were from the northern states of India. While we have expanded our operations to other states such as Maharashtra, Gujarat, Karnataka, our branches continue to be concentrated in the northern states of India. As at September 30, 2017, out of the Bank's 6,940 branches, 2,535 were located in the northern region of India. Also see "***Selected Statistical Information—Regional concentration***" on page 149.

We are more exposed to adverse geological, ecological, economic, social or political circumstances in this region as compared to other SCBs with a more diversified national presence. The markets in the northern states in India may perform differently from, and may be subject to market conditions that are different from, the markets in other parts of India. Further, to the extent the cities in the northern region of India experience weaker economic conditions than cities in other regions in India generally, the concentration of our deposits in these regions may increase the impact of these risks, which could in turn adversely affect our business, financial condition, results of operations and prospects.

25. *The audit reports in respect of our standalone and consolidated financial statements as at and for the years ended March 31, 2017 and March 31, 2016 contain certain matters of emphasis which could have an impact on our financial performance.*

The audit report on our standalone and consolidated financial statements as at and for the years ended March 31, 2017 and 2016 included certain matters of emphasis relating to change in valuation of planned assets of long-term benefits from book value to fair value and certain related matters. We cannot assure you that our auditors will not qualify their opinion in the future. For further information, see "***Financial Statements***" beginning on page 270.

26. *We may experience delays in enforcing our collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of collateral security.*

A substantial portion of our loans to corporate customers are secured by real assets, including property, plant and equipment. Our loans to corporate customers also include working capital credit facilities that are typically secured by a first charge on inventory, receivables and other current assets. In certain cases, we may have taken further security of a first or second charge on fixed assets and corporate guarantees and personal guarantees. A substantial portion of our loans to retail customers are also secured by financed assets, predominantly property and vehicles. Although our loans are typically adequately collateralized, an economic downturn could result in a fall in the values of relevant collateral for us.

In India, foreclosure on immovable property generally requires a written petition to an Indian court or tribunal. Such an application, when made, may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the immovable property. Security created on shares of a borrower can be enforced without court proceedings. However, there can be delays in realization in the event that the borrower challenges the enforcement in an Indian court. We may not be able to realize the full value on our collateral as a result of, among other factors, delays in bankruptcy and foreclosure proceedings, any defects in the registration of collateral and any fraudulent transfers by borrowers. A failure to recover the expected value of collateral security could expose us to a potential loss. Any unexpected losses could adversely affect our business, future financial performance and prospects.

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the "**SARFAESI Act**"), the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, the Insolvency and Bankruptcy Code, 2016, together with the ordinance dated May 4, 2017 which amends the the Banking Regulation Act, giving the RBI wide-ranging powers for the recovery of bad loans and resolution of stressed assets, have strengthened the ability of lenders to recover NPAs by granting lenders greater rights to enforce security and recover amounts owed from secured borrowers. While we believe that the SARFAESI Act has contributed to our enforcement efforts, we cannot assure you that the legislation will continue to be effective in resolving NPAs. A failure to recover the expected value of collateral security could materially and adversely affect our business, financial condition, results of operations and prospects.

27. Our unsecured loan portfolio is not supported by any collateral to ensure repayment of the loan, and any such non-payment may adversely affect our financial condition.

We offer unsecured loans to certain customer segments. During the six month period ended September 30, 2017 the Bank's total outstanding unsecured advances aggregated to ₹42,858.46 crore, which represented 10.45% of its net advances during such period. During Fiscals 2017, 2016 and 2015, our total outstanding unsecured advances aggregated, ₹47,860.91 crore, ₹29,074.49 crore and ₹22,383.01 crore, respectively, which represented 11.41%, 7.05% and 5.88% of our net advances in those periods, respectively. Our unsecured loans are subject to greater credit risk than our secured loan portfolio because they may not be supported by realizable collateral. Although we typically obtain direct debit instructions or post-dated checks from our customers for our unsecured loan products, we may be unable to collect overdue amounts in part, or at all, in the event of non-payment by a borrower. Further, any expansion in our unsecured loan portfolio could require it to increase our provision for credit losses, which would decrease our earnings and adversely affect our business, financial condition, results of operations and prospects. Also see "***Selected Statistical Information—Security***" on page 150.

28. We are subject to credit, market and liquidity risk which may adversely affect our credit ratings and cost of funds.

To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures, in particular to market environments or against particular types of risk. Our balance sheet growth will be dependent upon economic conditions, as well as upon our determination to sell, purchase, securitize or syndicate particular loans or loan portfolios. Our earnings are dependent upon the effectiveness of our management of migrations in credit quality and risk concentrations, the accuracy of our valuation models and critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing our liquidity risk because it affects the evaluation of our credit ratings by rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in our ratings. Any reduction in our ratings (or withdrawal of ratings) may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions, particularly longer-term and derivatives transactions, or retain our customers. This, in turn, could reduce our liquidity and negatively affect our business, financial condition, results of operations and prospects. For further detail on our risk management, see "***Our Business —Risk Management***" on page 190.

29. Significant fraud could disrupt our revenue generating activities in the short-term and could harm our reputation and brand and adversely affect our revenue-generating capabilities.

Our business is highly dependent on our ability to efficiently and reliably process a high volume of transactions across numerous locations and delivery channels. We place heavy reliance on our technology infrastructure for processing this data and therefore ensuring system security and availability is of paramount importance. Our systemic and operational controls may not be adequate to prevent adverse impact from fraud, errors, hacking and system failures. A significant system breakdown or system failure caused due to intentional or unintentional acts would adversely affect our revenue-generating activities and lead to financial loss. Our reputation could be adversely affected by fraud committed by employees, customers or outsiders, or by our perceived inability to properly manage fraud-related risks. There was a higher amount of external fraud during Fiscal 2017 as against Fiscal 2016, as higher instances of external events involving damage to the Bank's physical assets posed higher external risk.

Given below are details of the frauds reported during Fiscal 2017.

Category	Number of fraud cases reported	Amount involved *(in ₹ crores)*	Quantum of provision *(in ₹ crores)*	Un-amortized provisions *(in ₹ crores)*
Borrowal	90	2,789.84	1,956.18	833.66
Non-Borrowal Frauds	95	19.47	13.34	0.00
Total	**185**	**2,809.31**	**1,969.52**	**833.66**

Our inability or perceived inability to manage these risks could also lead to enhanced regulatory oversight and scrutiny. If any or all of the aforementioned risks were to materialize, our business, financial condition, results of operations and prospects could be materially and adversely affected.

30. We depend on the accuracy and completeness of information about customers and counterparties which could adversely affect our business and results of operations if such information is materially misleading.

In deciding whether to extend credit or to enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. We also take such information into consideration when taking decisions on the pricing of credit. For example, in deciding whether to extend credit or in deciding on the pricing thereof, we may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. In the past, we have extended loans at prices that were misaligned to the borrower's rating and have provided concessions in pricing to ineligible borrowers. In certain cases, we sanctioned or renewed credit facilities by routinely accepting deviations in our borrowers' critical financial parameters. Inaccurate or incomplete information about customers and counterparties could result in such incidents recurring in the future. Our credit operations could be affected by relying on financial statements that do not comply with generally accepted accounting principles or with other information that is materially misleading, which could in turn adversely affect our business, financial condition, results of operations and prospects.

31. We are currently not in compliance with the provisions of the Banking Companies Act on appointment of workmen and employee directors on our Board and we are also not in compliance with the provisions of the SEBI Listing Regulations in relation to appointment of independent directors.

We are currently not in compliance with the provisions of the Banking Companies Act in relation to composition of our Board. As on date, our Board comprises of four whole time directors, one government nominee director, one RBI nominee director, two part time (non–official) directors and three shareholder directors. Pursuant to Sections 9(3)(e) and 9(3)(f) of the Banking Companies Act our Board is required to have one director from the employees of the Bank who is a workman (as defined under Clause (s) of Section 2 of the Industrial Disputes Act, 1947, as amended (the "**Industrial Disputes Act**"), nominated by the Government in accordance with the Nationalized Banks Scheme and one director from the employees of the bank who is not a workman (as defined under Clause (s) of Section 2 of the Industrial Disputes Act) nominated by the Government after consultation with the RBI. In addition, the Bank is currently not in compliance with the requirements of the SEBI Listing Regulations to appoint independent directors on our

Board. Pursuant to the SEBI Listing Regulations (i) where the chairperson of the board of directors of a listed entity is non-executive, not less than one-third of the board of directors is required to comprise of independent directors and (ii) where the chairperson of the board of directors of the listed entity does not have a regular non-executive chairperson, at least half of the board of directors of the listed entity is required to comprise of independent directors. We cannot assure you that no action would be taken against us for non-compliance with the aforementioned requirements by any regulatory or statutory authorities.

32. We may not be able to successfully manage our growth.

We have been expanding our business in recent years, and may continue to grow our business further. As we continue to grow, we will need to improve our managerial, technical and operational knowledge and allocation of resources as well as further develop and improve our products and delivery channels. To effectively manage our expanded operations, we will need to continually recruit and train sufficient managerial personnel and upgrade, expand and secure our technology platform. Further, as a consequence of our large branch network, we may be exposed to certain risks, including, among others:

- difficulties in reserving our asset quality as our geographical presence increases and our customer profile changes;
- difficulties in developing and improving our products and delivery channels;
- difficulties in complying with regulatory requirements such as know-your-customer ("**KYC**") norms, anti-money laundering ("**AML**") laws, the FEMA and the U.S. Foreign Account Tax Compliance Act (the "**FATCA**") norms;
- difficulties in maintaining a high level of customer satisfaction;
- difficulties arising from operating a large and complex organization;
- difficulties arising from coordinating and consolidating corporate and administrative functions; and
- operational risks such as integration of internal controls and procedures.

A number of external factors beyond our control could also impact our ability to continue to grow our business, such as an increase in the interest rates in the economy, inflation, competition and the availability of cost-effective debt and equity capital. We cannot assure you that we will not experience issues such as capital constraints, political unrest in India, defaults by customers or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate our expanded business. If one or a combination of these factors were to arise, we may not be able to continue to grow our business at the same rate as we have in the past, or at all, which could materially and adversely affect our business, financial condition, results of operations and prospects.

33. If we are unable to adapt to rapid technological changes, our business or reputation could suffer. Implementation of new information technology systems may result in technical difficulties.

Our future success will depend in large part on our ability to respond to technological advances and to emerging banking industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entail significant technical and business risks. We cannot assure you that we will successfully implement new technologies effectively or adapt our transaction processing systems to meet customer requirements or emerging industry standards. Such technology updates may result in significant costs for us. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We have in the past implemented and continue to implement new IT systems to facilitate and complement our growth. As we implement additional IT platforms which become integral to our product offering, unforeseen technical difficulties may cause disruptions in our operations. We have, in the past, experienced disruptions such as IT disruptions on specific applications due to fine-tuning in configuration required to handle such scenarios or external abnormal traffic as part of distributed denial of service attacks on the financial sector. Such disruptions could significantly affect our operations and quality of customer service that we provide and could result in disruption of our business operations. As our risk management systems evolve and as our operations become more reliant upon technology to manage and monitor risk, any failure or disruption could materially and adversely affect our business, financial condition, results of operations, reputation and prospects.

34. Significant security breaches could adversely affect our business. We may face cyber threats attempting to exploit our network to disrupt services to customers and/or theft of sensitive internal Bank data or customer information.

We offer internet banking services to our customers. Our business operations are based on a high volume of transactions. Our internet banking channel includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards on-line, requesting account statements, creating fixed deposits and requesting check books, among others.

We are therefore exposed to various cyber threats including: (i) phishing and vishing targeting our customers, and seeking account sensitive information; (ii) hacking, wherein attackers seek to hack into our website with the primary intention of causing reputational damage by disrupting services; (iii) data theft, wherein cyber criminals may attempt to enter our network with the intention of stealing our data or information; and (iv) ransomware such as "WannaCry". In addition, we also face the risk of our customers incorrectly blaming us and terminating their accounts with us for any cyber security breaches that may have occurred on their own system or with that of an unrelated third party.

Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. There may be areas in our systems that have not been properly protected from security breaches and other attacks. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. Although we intend to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, we cannot assure you that these security measures will be adequate or successful. The Bank has in the past been exposed to cyber security incidents such as ransomware, web defacing attacks, un-patched vulnerable software exploitation and zero day vulnerability attacks in our servers and IT infrastructure. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

The following deficiencies (among others) were observed with regard to adherence with the "Cyber Security Framework" prescribed by the RBI:

(i) the Bank did not complete its detailed gap analysis in cyber-security;

(ii) the Bank did not implement a data loss prevention system; and

(iii) the Bank did not implement a system to continuously: (a) monitor the release of patches or emergency patches by various vendors and original equipment manufacturers; (b) monitor the release of advisories issued by CERT-in and other similar agencies; and (c) expeditiously apply the security patches at end-use devices directly connected to the internet and in respect of server-operating systems, databases, applications or middleware, among others.

The Bank has been taking steps to comply with the "Cyber Security Framework" of the RBI and certain of these steps may have a temporary impact on availability of systems if not configured as required or leading to temporary disruptions.

We cannot assure you that measures we take to safeguard against system-related and other frauds, would be able to prevent fraud. Our reputation could be adversely affected by significant fraud committed by employees, customers or outsiders. Failed security measures could, therefore, materially and adversely affect our business, financial condition, results of operations and prospects.

35. Our business and operations significantly depend on our senior management and other key employees and may be adversely affected if we are unable to retain them.

Our senior management has contributed significantly to the growth and development of our business and our business and operations continue to depend significantly on the continued services and performance of our senior management and other key employees and our ability to attract and retain such personnel. Our ability to identify, recruit and retain our senior management and other key employees is critical to the successful operation of our business. We face a continuing challenge to recruit, adequately compensate and retain a sufficient number of suitably skilled personnel, knowledgeable in sectors to which we lend. There is significant competition in India for such personnel, which has increased in recent years as a significant number of foreign banks, commercial banks, small finance banks and non-banking finance companies have recently commenced operations. Our business is also dependent on certain key branch personnel who directly manage customer relationships. While no single branch manager or operating group of managers contributes a meaningful percentage to our business, our business may suffer if a substantial number of branch managers or key branch personnel leave us.

Our remuneration schemes are guided by industry level negotiations between Bank management represented by the Indian Bank's Association, and Bank workers represented by their respective unions or associations. The employees' remuneration packages may to such extent not be comparable with those offered by private sector banks or foreign banks, however, we believe that other benefits allow us to effectively compete for qualified employees. Attrition rate of the Bank was 1.38%, 1.83% and 2.58% for Fiscals 2017, 2016 and 2015, respectively.

If the banking industry increasingly moves toward incentive-based pay schemes, attrition rates could increase and we could be forced to alter our remuneration scheme. The resultant pressures may result in diminished profitability, especially if rates of return do not experience a commensurate rise. We also need to train and motivate existing employees to adhere to internal controls and risk management procedures. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of our customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

As we continue to expand our business and operations, recruiting and retaining qualified and skilled managers is critical for us. Our inability to attract and retain our senior management and other key employees due to these or other reasons could significantly impair our ability to continue to manage and grow our business and may adversely affect our business, financial condition, results of operations and prospects.

36. Our employees are unionized and any union action may adversely affect our business.

There are two majority and representative unions in the Bank, which are All India Punjab National Bank Employees Federation ("**AIPNBEF**") and All India Punjab National Bank Officers Association ("**AIPNBOA**"). From time to time, labor unions for banking employees organize collective action, as a result of which we have been and may in the future be affected by strikes, work stoppages or other labor disputes. In the event of a labor dispute, protracted negotiations and strikes may impair our ability to carry out our day-to-day operations, which could materially and adversely affect our business, financial condition, results of operation and prospects. While we believe that we have a strong working relationship with our unions, associations and employees, we cannot assure you that we will continue to have such a relationship in the future, and that there will not be significant strikes or disputes with employees that could affect our operations in the future. Bank unions called for strike on July 29, 2016, September 2, 2016 and February 28, 2017 during the Fiscal 2017 due to which there may have been some disruptions in operations. Ongoing discussions for remuneration packages may happen in the future and we cannot predict the outcome of these discussions nor the reaction of our employees or unions to such outcomes.

37. We or our customers may engage in certain transactions in or with countries or persons that are subject to U.S. and other sanctions.

U.S. law generally prohibits or restricts U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries or territories and with certain persons or businesses that have been specially designated by the U.S. Department of Treasury's Office of Foreign Assets Control (the "**OFAC**") or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions. We provide transfer, settlement and other services to customers doing business with, or located in, countries to which certain OFAC-administered and other sanctions apply, such as Iran and Russia. Although we believe that we have compliance systems in place that are sufficient to block prohibited transactions, we cannot assure you that we will be able to fully monitor all of our transactions for any potential violation. We cannot assure you that our future business will be free of risk under sanctions implemented or that we will conform our business to the expectations and requirements of the United States authorities or the authorities of any other government that assert the right to impose sanctions on an extraterritorial basis. Further, investors in the Equity Shares could incur reputational or other risks as a result of our and our customers' dealings in or with countries or with persons that are the subject of U.S. sanctions. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase regulatory scrutiny of our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctioned.

38. We are exposed to fluctuations in foreign exchange rates which could adversely affect our business, future financial performance and trading price of the Equity Shares.

As a financial institution with operations in certain countries, we are exposed to significant exchange rate risks. We may maintain unhedged foreign currency exposure up to the net overnight position limit that are exposed to foreign currency rate fluctuations. Further, hedged exposures where the relevant counterparty fails to perform its obligations are also exposed to foreign currency fluctuations. We comply with regulatory limits upon our unhedged foreign currency exposure by making foreign currency loans on terms that are generally similar to our foreign currency borrowings and thereby transferring the foreign exchange risk to the borrower or through active use of cross-currency swaps and forwards to generally match the currencies of our assets and liabilities. However, we are exposed to fluctuations in foreign currency rates for our unhedged exposure. Any adverse movement in foreign currency exchange rates may also adversely affect our borrowers, which may in turn affect the quality of our exposure to these borrowers. Volatility in foreign exchange rates could adversely affect our business, financial condition, results of operations and prospects. Volatility in foreign exchange rates may be further accentuated due to other global and domestic macroeconomic developments. Adverse movements in foreign exchange rates may also affect our borrowers negatively, which may in turn affect the quality of our exposure to these borrowers. Further, the RBI has stipulated limits for the level of foreign exchange exposure which banks can assume. We cannot assure you that we will be able to keep our foreign exchange exposure within the stipulated limits.

39. Our fixed income operations are subject to income volatility.

Income from sale of investments comprised 5.24% of the Bank's total income during the six month period ended September 30, 2017 and 4.72%, 1.87%, and 1.96% of our total income (on a consolidated basis) during the Fiscals 2017, 2016 and 2015, respectively. These represent trades undertaken on our account, exposing us to the risk of losing money on these trades and on account of corporate and Government securities held in our ordinary course of business. Income from these treasury operations is subject to volatility due to, among other things, fluctuations in interest rates and foreign currency exchange rates as well as other market fluctuations. An increase in interest rates may adversely affect the value of certain investments such as Government securities. While we have put in place controls for our treasury operations to mitigate the impact of such losses, we cannot assure you that we will not be affected by losses made on such investments, which may in turn adversely affect our business, financial condition, results of operations and prospects.

40. Indian regulations impose requirements for minimum advances to certain sectors which may subject us to higher delinquency rates. Our inability to comply with Indian priority sector lending requirements may compel us to invest in funds with a lower return than it would otherwise obtain in the market.

The RBI requires all banks that are operating in India to channel a specified portion of their lending to identified "priority sectors" such as agriculture, MSMEs, housing and education. If we are unable to meet our priority sector lending requirements, we will subsequently be required to place the difference between the required lending level and actual priority sector lending in an account with the National Bank for Agriculture and Rural Development ("**NABARD**") under the Rural Infrastructure Development Fund Scheme, or with other financial institutions specified by the RBI, which generate lower levels of interest compared to advances made to the priority sector. Further, subsequent deposits placed by banks on account of non-achievement of priority sector lending targets or sub targets are not eligible for classification as indirect finance to agriculture or MSMEs, as the case may be. In addition, the RBI is required to take into account any shortfall in meeting specific priority sector lending targets, at the time of granting any approvals sought by a bank, from time to time. Such circumstances could adversely affect our business, financial condition, results of operations and prospects. Also see "***Selected Statistical Information—Priority sector lending***" on page 151.

41. There are operational risks associated with the banking and financial services industry which may adversely affect our business.

Banks and financial institutions are generally exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. Given the high volume of transactions that we handle on a day to day basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

We also outsource certain functions to other agencies, such as data entry, cash management and ATM management. We are also, as a result exposed to the risk that such external agencies may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as we are), and to the risk that our (or such agencies) business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures may prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have suffered losses from operational risk and we cannot assure you that wewillnotsufferlossesfromoperationalrisksinthefuturethatmaybematerialin amount, and our reputation could be adversely affected by the occurrence of any such events involving our employees, customers or third parties.

Our hedging strategies and other risk management techniques may not be fully effective in mitigating our risk exposure in all market environments or against all types of risks, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up to date or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. Although we have established these policies and procedures, these policies may not be fully effective which could adversely affect our business or result in losses. The quality of our internal audit was affected due to factors such as lack of necessary skills and non-adherence to stipulated timelines.

42. ***We may face conflicts of interest relating to one of our Associate Companies, PNB Housing Finance Limited ("PNBHFL")***

One of our Associate Companies, PNB Housing Finance Limited, is one of the leading housing finance companies in India with branches across India, as at September 30, 2017. It also uses the "PNB" name, brand and trademark pursuant to an agreement dated December 7, 2009 pursuant to which we granted PNBHFL the royalty-free, non-exclusive right to use the name, brand, trademark and logo "PNB" in the ordinary course of business. We have no agreements with PNBHFL that restricts them from offering similar products and services as us and as a result, our relationship with PNBHFL may cause certain conflicts of interest, particularly with respect to distribution of housing and non-housing loans and deposit products that PNBHFL distributes and we may compete with PNBHFL on the basis of the range of our product offerings, interest rates and fees as well as customer service, particularly in the retail housing market. We may also compete with PNBHFL for capital and other low-cost sources of funding as well as for the services of third party service providers, including for direct marketing associates and deposit brokers. There can be no assurance that we will be able to successfully compete with PNBHFL and if it continues to offer and distribute our products in the businesses that we are currently engaged in or if we forego certain business opportunities because of our relationship with PNBHFL, our business, financial condition, results of operations and prospects could be materially and adversely affected.

43. ***We have in the past entered into a number of related party transactions and may continue to enter into related party transactions in the future and there can be no assurance that we could not have achieved more favorable terms if such transactions had not been entered into with related parties.***

In the ordinary course of our business, we have entered into certain transactions with related parties. While we believe that all related party transactions that we have entered into are legitimate business transactions conducted on an arms' length basis, there can be no assurance that we could not have achieved more favorable terms if such transactions had not been entered into with related parties. Furthermore, it is likely that we will continue to enter into related party transactions in the future. There can be no assurance to you that these or any future related party transactions that we may enter into, individually or in the aggregate, will not adversely affect our business, financial condition and results of operations. Further, the transactions we have entered into and any future transactions with our related parties have involved or could potentially involve conflicts of interest. Additionally, there can be no assurance that any dispute that may arise between us and related parties will be resolved in our favor.

44. We may not be able to renew or maintain our statutory and regulatory permits and approvals required to operate our business.

We are required to obtain various statutory and regulatory permits and approvals to operate our business which requires us to comply with certain terms and conditions to continue our banking operations. In the event that we are unable to renew or maintain such statutory permits and approvals or comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, may result in the interruption of all or some of our operations, imposition of penalties and could materially and adversely affect our business, financial results and reputation.

45. The limited reviewed unaudited condensed standalone financial statements as at and for the six month period ended September 30, 2017 included in this Preliminary Placement Document present our financial condition and financial performance only on a standalone basis.

We are dependent on the performance of three of our Associates, PNBHFL, PNBGL and PNBIL who affect our net profits on a consolidated basis. Any factor which adversely affects the performance of these Associates could in turn materially and adversely affect our business, financial condition and results of operations. We have five Subsidiaries, one Joint Venture and ten Associates (including five Regional Rural Banks) which in the aggregate contributed ₹ (137.56) crore and ₹338.01 crore to our consolidated profit/(loss) during Fiscals 2017 and 2015, respectively, representing (11.59) % and 9.94% of our consolidated profit during those periods, respectively. During Fiscal 2016, our Subsidiaries, Joint Venture and Associates generated an aggregate of ₹284.63 crore of profit, while the Bank made a loss of ₹3,974.40 crore on a standalone basis, which resulted in our loss of ₹3,689.77 crore on a consolidated basis. This Preliminary Placement Document includes the Bank's limited reviewed unaudited condensed standalone financial statements as at and for the six month period ended September 30, 2017, which were subjected to limited review by our Auditors in accordance with the Standard on Review Engagements ("**SRE**") 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India ("**ICAI**"), and not to an audit. As a result, the limited reviewed unaudited condensed standalone financial statements as at and for the six month period ended September 30, 2017, do not reflect the financial performance or financial condition of the Bank's Subsidiaries, Joint Venture and Associates, are not indicative of our overall financial condition and financial performance on a consolidated basis and may not serve as a meaningful basis for investors to evaluate their investment in the Equity Shares. For further details, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations—Basis of Presentation***" on page 86.

46. Our insurance coverage could prove inadequate to satisfy potential claims.

We do not have insurance to cover all of the risks associated with our business, as insurance coverage is either unavailable for certain risks, or is prohibitively expensive. While we are covered by a range of insurance policy covers consistent with industry practice in India to cover certain risks associated with our business, we cannot assure you that the existing coverage will insure us completely against all risks and losses that may arise in the future. In addition, even if such losses are insured, we may be compelled to contribute a substantial deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are generally subject to annual renewal, and our ability to renew these policies on similar or otherwise acceptable terms, cannot be assured. If we incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could materially and adversely affect our business, financial condition, results of operations and prospects.

47. ***The GoI will continue to hold a majority interest in us following the Issue and will therefore be able to determine the outcome of shareholder voting and shareholders other than the GoI may not be able to exercise effective control over us. As a public sector bank, the GoI may also require us to participate in fiscal and economic policy.***

Section 9 of the Banking Companies Act provides that the GoI has the power to appoint Directors on our Board. After completion of the Issue, the GoI will continue to have a controlling interest in us and will also be able to determine a majority of our Board of Directors. This requirement could result in restrictions in our equity capital raising efforts as the GoI may not be able to fund any further investments that would allow it simultaneously to maintain its stake at a minimum of 51.00% and seek funding from the capital markets. If we are unable to grow our capital base in proportion with demand, our business, financial condition, results of operation and prospects may be materially and adversely affected. At times, the GoI's interests may conflict with our interests or those of our other shareholders. Furthermore, the Banking Companies Act provides that no shareholder of the corresponding new bank other than the Government shall be entitled to exercise voting rights in respect of any shares held by such person in excess of 10.00% of the total voting rights of all the shareholders of the corresponding new bank. Therefore, the outcome of most proposals for corporate action requiring the approval of our shareholders will be controlled by the GoI unless and until such time as our shareholding is diluted to below a controlling majority. For further details refer to the section *"**Regulations and Policies**"* beginning on page 211.

The GoI may also require us, along with other public sector banks, to participate in fiscal and economic policy reforms, such as public sector bank recapitalization and bank consolidation. The GoI has announced in October 2017 that public sector banks are to be recapitalized to the extent of ₹2,11,000 crore over the next two years through budgetary provisions of ₹18,139 crore, recapitalization bonds of ₹1,35,000 crore, and the balance through raising of capital by banks from the market while diluting government equity (estimated at ₹58,000 crore). In addition, public sector banks are to contribute to growth through enhanced credit off-take. Additionally, the GoI has constituted an "Alternative Mechanism" committee to review proposals for schemes of amalgamation proposed by public sector banks. We expect that our Bank will be involved in certain and other such initiatives, although the extent and related amounts and timelines are unclear.

48. ***Our ability to pay dividends in the future will depend upon applicable RBI regulations and our future earnings, financial condition, cash flows, working capital requirements and capital expenditures.***

Our future ability to pay dividends will depend on our earnings, financial condition and capital requirements. We did not pay dividend during Fiscal 2017 and Fiscal 2016 and we cannot assure investors that we will generate sufficient income to cover our operating expenses and pay dividends to our shareholders in the future. In addition, dividends that we have paid in the past may not be reflective of the dividends that we may pay in a future period. Our future dividend policy will depend on our revenues, profits, cash flow, financial condition, capital requirements and other factors. For further information, see "***Dividend Policy***" and "***Regulations and Policies***" beginning on pages 82 and 211, respectively.

49. ***A significant majority of our properties, including our branches and ATMs, are located at leased or licensed premises. Our operations may be materially and adversely affected if it is unable to renew existing leases or otherwise continue to utilize any of their branches or ATMs.***

Our business and operations are significantly dependent on our branches and ATMs some of which are located on leased or licensed premises. We have entered into various lease and license arrangements for such properties. If we are unable to continue to use our branches and ATMs which are located on leased or licensed premises during the period of the relevant lease or license or extend such lease or license arrangements on their expiry on commercially acceptable terms, or at all, it may suffer a disruption in our operations which could materially and adversely affect our business, financial condition, results of operations and prospects. In addition, some of these leases or licenses may not have been registered, which may affect the evidentiary value of such lease or license agreements in a court of law.

50. ***Our intellectual property rights may be subject to infringement and our business may be adversely affected if our brand or reputation is damaged by third parties.***

We have established a strong brand, "PNB" which is registered under various classes of the Trade marks Act, 1999, as amended, as well as under the (Indian) Copyright Act, 1957, as amended. We have also applied for certain intellectual property registrations. We are subject to the risk of brand dilution and consequently, loss of revenue in case of any misuse of our brand name by our agents or any third party. As such, any damage to our reputation or that of the "PNB" brand name, could substantially impair our ability to maintain or grow our business, or materially and adversely affect our business, financial condition, results of operation and prospects. If we fail to maintain this brand recognition with our target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brands under which our services are provided declines, market perception and customer acceptance of our brands may also decline. We also enter into partnerships with external organizations over which we have limited control. Any negative news affecting such external organizations might also affect our reputation and brand value. In such an event, we may not be able to compete for customers effectively, and our business, financial condition and growth prospects may be materially and adversely affected.

In addition, we may not be able to protect our intellectual property rights against third party infringement and unauthorized use of our intellectual property, including by our competitors. We may also be subject to claims by third parties if we use their trademark in breach of any intellectual property rights registered by such third parties. Any legal proceedings pursuant to such claims, or settlements thereunder, may divert management attention and require us to pay financial compensation to such third parties. Our inability to obtain or maintain these registrations may adversely affect our competitive business position. This may affect our brand value and consequently our business, financial condition, results of operations and prospects may be adversely affected.

51. We rely on third-party service providers who may not perform their obligations satisfactorily or in compliance with law.

We enter into outsourcing arrangements with third party vendors, separated employees and independent contractors, in compliance with the RBI guidelines on outsourcing. These vendors, employees and contractors provide services that include, among others, client sourcing, debt recovery services, certain back office operations, call center services and debit card, ATM managed services and reconciliation of ATM transactions**.** We cannot guarantee that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligation. If there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreement with us, our business, financial condition, results of operations and prospects will be adversely affected. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, which may result in certain litigation costs. Such additional cost, in addition to the cost of entering into agreements with third parties in the same industry, may materially and adversely affect our business, financial condition, results of operations and prospects. The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" issued by the RBI places obligations on banks, our directors and senior management for ultimate responsibility for the outsourced activity. Banks are also required to provide prior approval for use of subcontractors by outsourced vendor and to review the subcontracting arrangements and ensure that such arrangements are compliant with aforementioned RBI guidelines. Legal risks, including actions being undertaken by the RBI, if our third-party service providers act unethically or unlawfully, could materially and adversely affect our business, financial condition, results of operations and prospects.

52. We are involved in various legal proceedings. Any final judgment awarding material damages against us could materially and adversely affect our future financial performance, stockholders' equity and the trading price of the Equity Shares.

We are involved in certain legal proceedings which are primarily incidental to our business and operations. These proceedings are pending at different levels of adjudication before various courts, tribunals, quasi-judicial authorities and appellate tribunals. For further details of material legal proceedings involving us, see "***Legal Proceedings***" beginning on page 265. If any new developments arise, such as a change in the applicable laws or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements which could increase our expenses and current liabilities. If our provisioning is inadequate relative to actual losses on final judgment, such additional losses could adversely affect our business.

We cannot guarantee that the judgments in any of the legal proceedings in which we are involved would be favorable to us and if our assessment of the risk changes, our view on provisions will also change. Increased provisioning for such potential losses could materially and adversely affect our business, financial condition, results of operations and prospects. For further information on litigation involving us, see "***Legal Proceedings***" beginning on page 265.

We cannot assure you that these legal proceedings will be decided in our favor, or that no further liability will arise as a result of these proceedings. Further, such legal proceedings could divert management time and attention and consume financial resources. Any adverse outcome in any of these proceedings may materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

53. Our financial condition and profitability may be adversely affected if any of our contingent liabilities materialize.

As at September 30, 2017, the Bank's contingent liabilities, as indicated in our limited reviewed unaudited condensed standalone financial statements, were as follows:

Particulars	Amount disputed/ involved (₹ crore)
Claims against the Bank not acknowledged as debts	297.90
Disputed income tax and interest tax demands under appeals, references, etc.	6.30
Liability for partly paid investments	14.60
Liability on account of outstanding forward exchange contracts	255,255.60
Guarantees given on behalf of constituents	53,748.40
Acceptances, endorsements and other obligations	30,553.40
Other items for which the Bank is contingently liable	1,521.10
Total	**341,397.30**

If any of these contingent liabilities materialize, our business, financial condition, results of operations and cash flows may be materially and adversely affected. For further information regarding the Bank's contingent liabilities as at September 30, 2017, see "***Financial Statements***" beginning on page 270.

54. Negative public opinion could damage our reputation and adversely affect our earnings.

Reputation risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending and debt collection practices, corporate governance, and actions taken by government regulators and community organizations in response to those activities. Negative public opinion can also result from media coverage, whether accurate or not. Negative public opinion can adversely affect our ability to attract and retain customers and employees and can expose us to legal proceedings and regulatory action. Although we take steps to minimize reputation risk in dealing with our customers and communities, this risk will always be present in our organization.

EXTERNAL RISK FACTORS

55. Our business and operations may be affected by fluctuations in performance of the economy and general economic activity in the jurisdictions in which we operate.

Our business and operations are highly dependent on the general economic performance in India is subject to the changing economic, legal, political and regulatory conditions prevailing for time to time in India that differ in certain significant respects from those prevailing in other countries. India has experienced a slowdown in economic growth in prior periods due to a variety of factors, including disruption in global financial and credit markets, global demand and supply patterns, a high current account deficit, capital outflows, exchange rate pressures and escalation in prices of fuel and other commodities as well as recent currency demonetization measures and the introduction of the GST regime. We may also experience increased competitive pricing pressure during periods of economic downturn. Any significant economic downturns, such as those in 2008 and 2009, in India or in the global markets could affect business and personal discretionary spending levels and lead to a decrease in demand for our services for prolonged periods, which could materially and adversely affect our business, customers and contractual counterparties, especially if such a slowdown were to be continued and prolonged. In periods of high rates of inflation, our operating expenses may increase. Conversely, periods of low inflation may result in lower demand for our services. The occurrence of one or a combination of the above-mentioned factors could materially and adversely affect our business, financial condition, results of operations and prospects.

56. If inflation were to rise in India, we might not be able to increase the price of our products at a proportional rate in order to pass costs on to our customers and our profits may decline.

Inflation rates in India have been volatile in recent years, and such volatility may continue in the future. High rates of inflation in the Indian economy have impacted and could continue to impact our ability to sustain profitable net interest margins. During Fiscal 2016, the inflation rate continued to moderate in India. The Consumer Price Index -New Series inflation, which averaged 4.90% during April to December 2016, has displayed a downward trend since July due to positive drifts in agriculture sector. The Wholesale Price Index ("**WPI**") inflation has reversed, from -5.10% in August 2015 to 3.40% at the end of December 2016, due to rising international oil prices. Core inflation has, however, been more stable, around 4.50% to 5.00% for Fiscal 2017 (*Source: Economic Survey 2016-2017 - Ministry of Finance*). However, there can be no assurance that Indian inflation levels will not worsen in the future.

Further, the Government has previously initiated economic measures to combat high inflation rates, and it is unclear whether these measures will remain in effect. Higher rates of inflation in the Indian economy could lead to a lower demand for loans and may require us to increase the interest rate we pay to our customers on our deposits. High inflation rates may also adversely affect growth in the Indian economy, our operating expenses and our ability to increase the prices of our products at a proportional rate in order to pass costs on to our customers. In the event of increasing inflation in India, our costs such as operating expenses may increase. Further, we might not be able to increase the prices of our products at a proportional rate in order to pass costs on to our customers and as a result, our profits might decline. Higher inflation rates may result in an increase in overall interest rates which may adversely affect our NII. Also see ***"Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations and Financial Condition—Inflation"*** on page 90.

57. Political instability or a significant change in the Government's economic liberalization and deregulation policies could adversely affect our business and the price of our Equity Shares.

Our business, customers and assets are located primarily in India and we currently derive a significant portion of our revenues from operations in India. Consequently, our performance and the market price and liquidity of our Equity Shares may be affected by changes in control, government policies, taxation, social and ethnic instability, social/civil unrest and other political and economic developments affecting India. The Indian Government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, as well as our future financial performance and ability to implement our strategy. Our business is also affected by regulations and conditions in the various states in India where we operate. Since 1991, successive Indian Governments have pursued policies of economic liberalization. The current Government has made various announcements to the effect that its general intention is to continue India's current economic and financial sector liberalization and deregulation policies, including significantly relaxing restrictions on the private sector and encouraging the development of the Indian financial sector. However, we cannot assure you that such policies will be continued or that any such measures will not have long or short term impact on the economy. The rate of economic liberalization could change and specific laws and policies affecting finance companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. Any significant change in India's economic liberalization and deregulation policies could materially and adversely affect business and economic conditions in India generally and our business in particular.

58. Our business and the price of the Equity Shares may be adversely affected by the implementation of GAAR.

The provisions relating to general anti-avoidance rules ("**GAAR**") came into effect from April 1, 2017, which intend to catch arrangements declared as "impermissible avoidance arrangements", which is any arrangement the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests:

(i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length;
(ii) results, in misuse, or abuse, of the provisions of the tax laws;
(iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or
(iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for *bona fide* purposes.

If GAAR provisions are invoked, then the tax authorities will have wide powers, including denial of tax benefit or a benefit under a tax treaty. In the absence of any precedents on the subject, the impact of these provisions is uncertain.

Occurrence of any one or more of the aforementioned factors could adversely affect our business, financial condition, results of operations and prospects.

59. Foreign Account Tax Compliance Act withholding may affect payments on the Equity Shares.

The U.S. FATCA imposes a new reporting regime and, potentially, a 30.00% withholding tax on certain "foreign pass-through payments" made by certain non-U.S. financial institutions (including intermediaries).

If payments on the Equity Shares are made by such non-U.S. financial institutions (including intermediaries), this withholding may be imposed on such payments if made to any non-U.S. financial institution (including an intermediary) that is not otherwise exempt from FATCA or other holders who do not provide sufficient identifying information to the payer, to the extent such payments are considered "foreign pass-through payments". Under current guidance, the term "foreign pass-through payment" is not defined and it is therefore not clear whether and to what extent payments on the Equity Shares would be considered foreign pass-through payments. Withholding on foreign pass-through payments would not be required with respect to payments made before January 1, 2019. The United States has entered into intergovernmental agreements with many jurisdictions (including India) that modify the FATCA withholding regime described above. It is not yet clear how the intergovernmental agreements between the United States and these jurisdictions will address "foreign pass-through payments" and whether such agreements will require us or other financial institutions to withhold or report on payments on the Equity Shares to the extent they are treated as foreign pass-through payments. Prospective investors should consult their tax advisors regarding the consequences of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, to their investment in Equity Shares.

60. Significant differences exist between Indian GAAP used to prepare our financial statements and other accounting principles, such as U.S. GAAP and IFRS, with which investors may be more familiar.

Our financial statements included in this Preliminary Placement Document are prepared in conformity with Indian GAAP as applicable to banks in India. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and standards. We have not attempted to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Preliminary Placement Document, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. If we were to prepare our financial statements in accordance with such other accounting principles, our results of operations, cash flows and financial condition may be substantially different. The significant accounting policies applied in the preparation of our Indian GAAP financial statements are set forth in the notes to our financial statements included in this Preliminary Placement Document. Prospective investors should review the accounting policies applied in the preparation of our financial statements summarized in the section "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" beginning on page 83, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar. Accordingly, the degree to which the financial statements included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the investor's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited.

61. The effects of the planned convergence with IFRS and adoption of Indian Accounting Standards ("Ind AS") are uncertain and any failure to successfully adopt Ind AS could adversely affect our business and the trading price of the Equity Shares.

We currently prepare our annual and interim financial statements under Indian GAAP. The Ministry of Corporate Affairs (the "**MCA**"), in a press release dated January 18, 2016, issued a roadmap for implementation of Ind AS converged with IFRS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies. This roadmap requires scheduled commercial banks and insurance companies and specified categories of NBFCs to prepare Ind AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018. Further, the RBI issued a circular dated February 11, 2016, through which it has indicated that scheduled commercial banks should comply with Ind AS for preparation of financial statements for accounting period beginning April 1, 2018 onwards with comparatives for the periods ending March 31, 2018.

We have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. Further, Ind AS accounting standards will change, among other things, our methodology for estimating allowances for probable loan losses and for classifying and valuing our investment portfolio and our revenue recognition policy. For example, under the new accounting standards the impairment allowance on loans and advances are required to be calculated by an 'expected credit loss' model based on the assessment of credit risk/ impairment. This may result in us recognizing allowances for probable loan losses in the future which may be higher or lower than under current Indian GAAP. Therefore, we cannot assure you that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under Ind AS than under Indian GAAP. In our transition to Ind AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare Ind AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. We cannot assure you that our adoption of Ind AS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt Ind AS could adversely affect our business and the trading price of the Equity Shares. Also see "***Management's Discussion and Analysis of Financial Condition and Results of Operations— Factors Affecting Results of Operations and Financial Condition—Implementation of Ind AS***" on page 98.

62. Rights of shareholders under Indian laws may be more limited than under the laws of other jurisdictions.

Punjab National Bank Regulations, the Nationalised Banks Scheme, the Banking Companies Act, the instructions issued by the RBI, and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a bank or corporate entity in another jurisdiction, also with other banking companies in India, including private banks and private and public companies in India. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as one of our shareholders than as a shareholder of a bank or corporate entity in another jurisdiction.

For instance, pursuant to Section 3(2D) of the Banking Companies Act, shareholding of non-residents in a corresponding new bank cannot exceed 20.00% of its paid up capital and Section 3(2E) of the Banking Companies Act mandates that no shareholder, other than the Government shall be entitled to exercise voting rights in excess of 10.00% of the total voting rights of all the shareholders of the corresponding new bank.

63. Foreign investors are subject to foreign investment restrictions under Indian law that limits our ability to attract foreign investors, which may adversely affect the trading price of the Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain restrictions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares, which are sought to be transferred, is not in compliance with such pricing guidelines or reporting requirements or falls under any of the exceptions referred to above, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Indian Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no objection/tax clearance certificate from the income tax authority. We cannot assure you that any required approval from the RBI, the MoF or any other GoI agency can be obtained on any particular terms, or at all.

64. Our ability to raise foreign capital may be constrained by Indian law.

We are subject to exchange controls that regulate borrowing in foreign currencies, including those specified under the FEMA and the rules thereunder. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, or at all. Limitations on foreign debt may materially and adversely affect our business, financial condition and results of operations.

65. It may not be possible for investors outside India to enforce any judgment obtained outside India against us or our management or any of our associates or affiliates in India, except by way of a suit in India.

We are incorporated as a body corporate under the laws of India and all our directors and executive officers reside in India. A substantial portion of our assets and the assets of our executive officers and directors are located primarily in India. As a result, it may be difficult to effect service of process outside India upon us and our executive officers and directors or to enforce judgments obtained in courts outside India against us or our executive officers and directors, including judgments predicated upon the civil liability provisions of the securities laws of jurisdictions outside India.

India has reciprocal recognition and enforcement of judgments in civil and commercial matters with only a limited number of jurisdictions, such as the United Kingdom, Singapore and Hong Kong and no reciprocity with the United States of America. In order to be enforceable, a judgment from a jurisdiction with reciprocity must meet certain requirements of the Indian Code of Civil Procedure, 1908 (the "**Civil Code**"). The Civil Code only permits the enforcement and execution of monetary decrees in the reciprocating jurisdiction, not being in the nature of any amounts payable in respect of taxes, other charges, fines or penalties. Judgments or decrees from jurisdictions which do not have reciprocal recognition with India cannot be enforced by proceedings in execution in India. Therefore, a final judgment for the payment of money rendered by any court in a non-reciprocating territory for civil liability, whether or not predicated solely upon the general laws of the non-reciprocating territory, would not be enforceable in India. Even if an investor obtained a judgment in such a jurisdiction against us, our officers or directors, it may be required to institute a new proceeding in India and obtain a decree from an Indian court. However, the party in whose favor such final judgment is rendered may bring a fresh suit in a competent court in India based on a final judgment that has been obtained in a non-reciprocating territory within three years of obtaining such final judgment.

The United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment that has been obtained in the United States within three years from the date of the judgment. It is unlikely that an Indian court would award damages on the same basis or to the same extent as was awarded in a final judgment rendered by a court in another jurisdiction if the Indian court believed that the amount of damages awarded was excessive or inconsistent with public policy in India. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

66. Any future issuance of Equity Shares may dilute your shareholding and sales of our Equity Shares by our Promoter or other major shareholders may adversely affect the trading price of the Equity Shares.

Any future equity issuances by us, including a primary offering may lead to the dilution of investors' shareholdings in us. Any future equity issuances by us or sales of our Equity Shares by our Promoter or other significant shareholders may adversely affect the trading price of the Equity Shares, which may lead to other adverse consequences for us including difficulty in raising debt or equity financing. In addition, any perception by investors that such issuances or sales might occur may also affect the trading price of our Equity Shares. We cannot assure you that we will not offer Equity Shares or that our shareholders will not dispose of, pledge or encumber their Equity Shares in the future. Also see "***Risk Factors- The GoI will continue to hold a majority interest in us following the Issue and will therefore be able to determine the outcome of shareholder voting and shareholders other than the GoI may not be able to exercise effective control over us. As a public sector bank, the GoI may also require us to participate in fiscal and economic policy***" on page 67.

67. Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if securities transaction tax ("**STT**") has been paid on the transaction. STT will be levied on and collected by an Indian stock exchange on which the equity shares are sold. As such, any gain realized on the sale of equity shares held for more than 12 months by an Indian resident, which are sold other than on a recognized stock exchange and as a result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of equity shares held for a period of 12 months or less will be subject to capital gains tax in India. Capital gains arising from the sale of equity shares will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own countries on gains arising from a sale of the Equity Shares. However, capital gains on the sale of our Equity Shares purchased in the Issue by residents of certain countries will not be taxable in India by virtue of the provisions contained in the taxation treaties between India and such countries.

68. After this Issue, the price of our Equity Shares may be volatile.

The Issue Price will be determined by us in consultation with the Book Running Lead Managers, based on Bids received in compliance with Chapter VIII of the SEBI ICDR Regulations, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is completed. The trading price of the Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, the Indian financial services industry and the perception in the market about investments in the financial services industry, changes in the estimates of our performance or recommendations by financial analysts and announcements by we or others regarding contracts, acquisitions, strategic partnerships or capital commitments.

Additionally, if the stock markets in general experience a loss of investor confidence, the trading price of the Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of the Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of the Equity Shares. We cannot assure you that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Issue or the price at which the Equity Shares will trade in the market subsequent to this Issue.

69. If we are classified as a passive foreign investment company ("PFIC") for U.S. Federal income tax purposes, U.S. investors may incur adverse tax consequences.

Under U.S. Federal income tax laws, U.S. investors are subject to special tax rules if they invest in passive foreign investment companies, or PFICs. While we do not believe that we are, or will become in the foreseeable future, a PFIC, since the applicable PFIC rules are complex and, to a certain extent, unclear, there is a risk that we are or may become a PFIC in the future. If we are or do qualify as being a PFIC, U.S.

investors generally will not be subject to the regular U.S. federal income tax rules applicable to dividends and capital gains, but will be subject to complex PFIC rules that could result in additional taxation upon certain distributions by us and/or disposition of Equity Shares.

70. Fluctuations in the exchange rate between the Indian Rupee and other currencies could adversely affect the value of the Equity Shares in those currencies, independent of our operating results.

The Equity Shares are quoted in Indian Rupees on the Stock Exchanges. Any dividends in respect of the Equity Shares will be paid in Indian Rupees. Any adverse movement in currency exchange rates during the time it takes to undertake such conversion may reduce the net dividend to investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares, may reduce the net proceeds received by investors. The exchange rate between the Indian Rupee and other currencies (including U.S. dollar) has changed substantially in the last two decades and could fluctuate substantially in the future, which may adversely affect the value of the Equity Shares and returns from the Equity Shares in foreign currency terms, independent of our operating results.

71. Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade.

Investors can start trading the Equity Shares allotted to them only after they have been credited to an investor's demat account, are listed and permitted to trade. Since the Equity Shares are currently traded on the Stock Exchanges, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Further, we cannot assure you that the Equity Shares allocated to an investor will be credited to the investor's demat account or that trading in the Equity Shares will commence in a timely manner.

72. Applicants to the Issue are not allowed to withdraw their Bids after the Bid /Issue Closing Date.

In terms of the SEBI ICDR Regulations, applicants in the Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date. The Allotment of Equity Shares in this Issue and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately seven days and up to 10 days from the Bid/Issue Closing Date. However, we cannot assure you that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in the business, results of operation or financial condition of we, or other events affecting the applicant's decision to invest in the Equity Shares, would not arise between the Bid/ Issue Closing Date and the date of Allotment of Equity Shares in the Issue. Occurrence of any such events after the Bid/Issue Closing Date could also affect the market price of the Equity Shares. The applicants shall not have the right to withdraw their Bids in the event of any such occurrence. We may complete the Allotment of the Equity Shares even if such events may limit the applicants' ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

73. Natural disasters and other disruptions could adversely affect the Indian economy.

Our operations, including our branch network, may be damaged or disrupted as a result of natural disasters such as earthquakes, floods, heavy rainfall, epidemics, tsunamis and cyclones and other events such as protests, riots and labor unrest. Such events may lead to the disruption of information systems and telecommunication services for sustained periods. They also may make it difficult or impossible for employees to reach our business locations. Damage or destruction that interrupts our provision of services could adversely affect our reputation, our relationships with our customers, our senior management team's ability to administer and supervise our business or it may cause us to incur substantial additional expenditure to repair or replace damaged equipment or rebuild parts of our branch network.

MARKET PRICE INFORMATION AND OTHER INFORMATION CONCERNING THE EQUITY SHARES

As at the date of this Preliminary Placement Document, 2,127,968,258 Equity Shares issued by the Bank are outstanding, subscribed and fully paid up.

The Equity Shares are listed on the Stock Exchanges. As the Equity Shares are traded on the Stock Exchanges, the stock market data has been given separately for each of these stock exchanges. The following tables set forth, for the period indicated, the reported high, low and average of closing market prices of the Equity Shares on the Stock Exchanges and the number of Equity Shares traded on the days such high and low prices were recorded, for the Fiscal Years 2015, 2016 and 2017.

BSE

Fiscal Year	High (₹)	Date of high	Number of Equity Shares traded on date of high	Volume of Equity Shares traded on date of high (₹ in million)	Low (₹)	Date of low	Number of Equity Shares traded on date of low	Volume of Equity Shares traded on date of low (₹ in million)	Average price for the year (₹)*	Total Number of Equity Shares traded in the year	Total Volume of Equity Shares traded in the year ₹ in million)
April 1,2014 to December 17, 2014**	1,121.00	December 5, 2014	249,222	277.83	734.60	April 1, 2014	279,245	205.25	935.49	24,812,230	23,086.67
December 18, 2014 to March 31, 2015**	225.95	December 18, 2014	696,369	156.59	144.40	March 31, 2015	792,190	116.69	184.74	56,232,738	10,293.69
2016	173.05	August 17, 2015	1,579,423	273.57	71.30	February 29, 2016	2,885,121	210.40	128.52	199,189,785	23,804.86
2017	159.35	November 10, 2016	4,870,349	759.86	71.95	May 24, 2016	669,588	48.08	121.93	344,799,883	42,113.71

Source: www.bseindia.com
** Average of the daily closing prices*
*** The face value of Bank's equity share was split from ₹10 to ₹2, the record date for which was December 19, 2014*
Note: High and low prices are based on daily closing prices

NSE

Fiscal Year	High (₹)	Date of high	Number of Equity Shares traded on date of high	Volume of Equity Shares traded on date of high (₹ in million)	Low (₹)	Date of low	Number of Equity Shares traded on date of low	Volume of Equity Shares traded on date of low (₹ in million)	Average price for the year (₹)*	Total Number of Equity Shares traded in the year	Total Volume of Equity Shares traded in the year ₹ in million)
April 1, 2014 to December 17, 2014**	1,121.95	December 5, 2014	1,638,992	1,827.30	735.00	April 1, 2014	2,043,509	1,502.22	935.76	207,933,628	193,176.07
December 18, 2014 to March 31,2015**	226.00	December 18, 2014	5,505,357	1,237.56	144.40	March 31, 2015	4,878,263	717.24	184.66	378,842,563	69,210.94
2016	173.30	August 17, 2015	11,270,555	1,952.23	71.00	February 29, 2016	18,897,468	1,378.04	128.48	1,435,264,454	173,164.73
2017	159.30	November 10, 2016	37,273,635	5,798.15	71.85	May 24, 2016	5,335,725	383.07	121.94	3,001,223,105	372,167.60

Source: www.bseindia.com
** Average of the daily closing prices*
*** The face value of Bank's equity share was split from ₹10 to ₹2, the record date for which was December 19, 2014*
Note: High and low prices are based on daily closing prices

The following tables set forth, for the period indicated, the reported high, low and average of closing market prices of the Equity Shares on the Stock Exchanges and the number of Equity Shares traded on the days such high and low prices were recorded, in each month during the last six months preceding the date of filing of this Preliminary Placement Document:

BSE

Month, year	High (₹)	Date of high	Number of Equity Shares traded on date of high	Volume of Equity Shares traded on date of high (₹ in million)	Low (₹)	Date of low	Number of Equity Shares traded on date of low	Volume of Equity Shares traded on date of low (₹ in million)	Average price for the month (₹)*
November, 2017	207.30	November 3, 2017	11,236,006	2,307.27	176.15	November 30, 2017	2,516,046	448.78	189.18
October, 2017	213.20	October 26, 2017	12,872,156	2,745.09	129.60	October 19, 2017	64,707	8.41	150.65
September, 2017	145.40	September 20, 2017	607,726	88.01	129.05	September 29, 2017	544,980	71.28	140.03
August, 2017	158.90	August 2, 2017	2,158,997	344.51	137.80	August 21, 2017	842,471	118.76	145.84
July, 2017	162.95	July 25, 2017	619,032	100.75	136.65	July 4, 2017	494,692	68.38	152.39
June, 2017	153.30	June 5,2017	577,864	88.78	136.45	June 28, 2017	929,486	126.34	146.74

Source: www.bseindia.com
**Average of the daily closing prices*

NSE

Month, year	High (₹)	Date of high	Number of Equity Shares traded on date of high	Volume of Equity Shares traded on date of high (₹ in million)	Low (₹)	Date of low	Number of Equity Shares traded on date of low	Volume of Equity Shares traded on date of low (₹ in million)	Average price for the month (₹)*
November, 2017	207.80	November 3, 2017	96,398,855	19,772.83	176.10	November 30, 2017	17,254,860	3,071.19	189.23
October, 2017	213.60	October 26, 2017	124,669,249	26,580.97	129.55	October 19, 2017	1,148,287	149.28	150.75
September, 2017	145.25	September 14, 2017	6,985,935	1,011.37	129.05	September 29, 2017	5,696,269	743.88	139.94
August, 2017	158.95	August 2, 2017	31,565,886	5,036.92	137.60	August 21, 2017	9,064,019	1,274.29	145.88
July, 2017	162.95	July 25, 2017	6,869,914	1,118.35	136.55	July 4, 2017	4,799,590	662.13	152.40
June, 2017	153.80	June 5, 2017	5,133,407	789.53	136.50	June 28, 2017	10,796,349	1,468.88	146.85

Source: www.nseindia.com
** Average of the daily closing prices*

The following table set forth the details of the number of Equity Shares traded and the turnover during the last six months and the Financial Years ended March 31, 2017, 2016 and 2015 on the Stock Exchanges:

Period	Number of Equity Shares Traded		Turnover (In ₹ million)	
	BSE	NSE	BSE	NSE
Year ended March 31, 2017	344,799,883	3,001,223,105	42,113.71	372,167.60
Year ended March 31 2016	199,189,785	1,435,264,454	23,804.86	173,164.73
April 1, 2014 to December 17, 2014**	56,232,738	378,842,563	10,293.69	69,210.94
December 18, 2014 to March 31, 2015**	24,812,230	207,933,628	23,086.67	193,176.07
June, 2017	13,588,619	152,405,525	1,991.24	22,275.67
July, 2017	23,941,201	171,822,686	3,648.88	26,276.74
August, 2017	16,851,076	215,529,414	2,496.38	31,915.08
September, 2017	10,035,331	122,131,547	1,407.04	17,137.44
October, 2017	49,705,729	485,477,565	9,478.38	91,744.00
November, 2017	59,466,550	487,426,326	11,519.09	94,498.17

(Source: www.bseindia.com and www.nseindia.com)
*** The face value of Bank's equity share was split from ₹10 to ₹2, the record date for which was December 19, 2014*

The following table sets forth the market price on the Stock Exchanges on September 28, 2017, the first working day following the approval of our Board:

BSE						NSE					
Open	High	Low	Close	Number of Equity Shares traded	Volume (₹ million)	Open	High	Low	Close	Number of Equity Shares traded	Volume (₹ million)
132.15	133.85	130.55	131.15	534,122	70.53	132.80	133.90	130.20	130.75	6,456,704	852.15

(Source: www.bseindia.com and www.nseindia.com)

USE OF PROCEEDS

The gross proceeds of the Issue will be up to ₹ [●] crore. After deducting the Issue expenses of approximately ₹ [●] crore, the net proceeds of the Issue will be approximately ₹ [●] crore.

Subject to compliance with applicable laws and regulations, the Bank intends to use the net proceeds of the Issue to augment its CET I capital and for general corporate purposes, in accordance with applicable law.

The Bank will not directly or indirectly, use the proceeds from the sale of the Equity Shares to lend, contribute or otherwise make available all or any part of the proceeds to, or for, the benefit of any Subsidiary, Joint Venture or another person to fund or facilitate any activities or business in any sanctioned country or of or with any person or in any country or territory that at the time of such funding or facilitation, is the subject of sanctions.

The Net Proceeds of the Issue are not proposed to be utilised towards any specific project. Accordingly, the requirement to disclose (i) break up of cost of the project; (ii) means of financing such project; (iii) proposed deployment status of the proceeds at each stage of the project, are not applicable.

CAPITALISATION STATEMENT

The following table sets forth the Bank's capitalization and total debt as at March 31, 2017 which has been extracted from the Bank's audited consolidated and standalone financial statements as at and for the year ended March 31, 2017, prepared in accordance with Indian GAAP as applicable to banks, guidelines issued by the RBI from time to time and practices generally prevailing in the banking industry in India. This capitalisation table should be read together with the sections titled *"**Management's Discussion and Analysis of Financial Condition and Results of Operations**" and "**Financial Statements**"* beginning on pages 83 and 270, respectively.

Standalone Capitalisation Statement as at March 31, 2017

Particulars	As at March 31, 2017 ₹ in crore (Except %)	As adjusted for the Issue ₹ in crore (Except %)
Liabilities		
Deposits		
Demand deposits		
i) From Banks	1,734.98	[●]
ii) From Others	44,118.33	[●]
Saving Bank Deposits	214,162.55	[●]
Term Deposits		
i) From Banks	64,355.13	[●]
ii) From Others	297,333.04	[●]
Total Deposits (A)	621,704.03	[●]
Other liabilities (B)	16,016.22	[●]
Borrowings		[●]
Short Term	18,908.28	[●]
Long Term	21,855.05	[●]
Total Borrowings (C)	40,763.33	[●]
Long Term Borrowings/ Equity Ratio*	0.68	[●]
Total Liabilities (D = A+B+C)	6,78,483.56	[●]
Shareholders' Funds		
Share Capital	425.59	[●]
Reserves and Surplus	31,569.83	[●]
Total Shareholders' Funds (E)	31,995.42	[●]
Total capitalisation (D+E)	7,10,478.98	[●]
Capital Adequacy Ratio (Basel II)	12.33	[●]
Capital Adequacy Ratio (Basel III)	11.66	[●]

** Total shareholders' funds have been considered as equity.*

Consolidated Capitalisation Statement as at March 31, 2017

Particulars	As at March 31, 2017 ₹ in crore (Except %)	As adjusted for the Issue ₹ in crore (Except %)
Liabilities		
Deposits		
Demand deposits		
i) From Banks	1,693.23	[●]
ii) From Others	45,220.69	[●]
Saving Bank Deposits	215,405.64	[●]

Particulars	As at March 31, 2017 ₹ in crore (Except %)	As adjusted for the Issue ₹ in crore (Except %)
Term Deposits		
i) From Banks	64,417.81	[●]
ii) From Others	302,913.49	[●]
Total Deposits (A)	629,650.86	[●]
Other liabilities (B)	16,378.55	[●]
Borrowings		[●]
Short Term	21,365.81	[●]
Long Term	21,970.20	[●]
Total Borrowings (C)	43,336.01	[●]
Long Term Borrowings/ Equity Ratio*	0.66	[●]
Total Liabilities (D = A+B+C)	689,365.42	[●]
Shareholders' Funds		
Share Capital	425.59	[●]
Reserves and Surplus	32,811.59	[●]
Total Shareholders' Funds (E)	33,237.18	[●]
Total capitalisation (D+E)	722,602.60	[●]
Capital Adequacy Ratio (Basel II)	12.39	[●]
Capital Adequacy Ratio (Basel III)	11.98	[●]

* *Total shareholders' funds have been considered as equity.*

DIVIDEND POLICY

The Bank has formulated a dividend distribution policy which is valid up to March 31, 2019 ("**Dividend Distribution Policy**"). The Dividend Distribution Policy seeks to maintain an equilibrium between retention of profit to enhance value and also to meet the long term growth plans of the Bank and rewarding the shareholders. Pursuant to Section 15 of the Banking Regulation Act, no banking company is permitted to pay dividend until all its capitalised expenses (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 10(7) of the Banking Companies Act, mandates that a corresponding new bank may pay dividend out of its net profits after making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and all other matters for which provision is necessary under any law, or which are usually provided for by banking companies.

The RBI has laid down certain guidelines on the declaration of dividends by banks. The Dividend Distribution Policy of the Bank is governed by the RBI Dividend Circular. For eligibility criteria for declaration of dividend in terms of the RBI Dividend Circular, see "***Regulations and Policies***" and "***Description of the Equity Shares - Declaration of Dividend***" beginning on pages 211 and 249, respectively.

For a summary of certain Indian and United States federal tax consequences of dividend distributions to shareholders, see "***Taxation***" and "***U.S. Federal Income Tax Considerations***" beginning on pages 250 and 259.

The Bank generally declares and pays dividends in the Fiscal Year following the Fiscal Year to which they relate. In addition, the Bank may also declare interim dividends from time to time. The following table sets out, for the periods indicated, the dividends paid by the Bank.

Fiscal Year	**Dividend per Equity Share (₹)**	**Total amount of Dividend (in ₹ crore)**
2017	-	-
2016	-	-
2015	3.30	612.32

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read together with the information included in the sections "**Selected Financial Information**", "**Selected Statistical Information**", "**Our Business**", "**Risk Factors**" and "**Financial Statements**" beginning on pages 39, 135, 174, 43 and 270, respectively. Unless otherwise indicated, references to "the Bank", are to Punjab National Bank on a standalone basis and references to "the Group", "we", "us", "our", are to Punjab National Bank, its Subsidiaries, Associates and Joint Venture on a consolidated basis.*

Unless otherwise indicated, the financial information used in this section is derived from the Bank's limited reviewed unaudited condensed standalone financial statements as at and for the six month periods ended September 30, 2017 and September 30, 2016 and our audited standalone and consolidated financial statements as at and for the years ended March 31, 2017, 2016 and 2015. Our fiscal year ends on March 31. Accordingly, all references to a particular fiscal year are to the 12 month period ended on March 31 of that year.

We prepare our financial statements in accordance with Indian GAAP and accounting practices in India, as applicable to Banks in India, guidelines issued by the RBI from time to time and practices generally prevailing in the banking industry in India. These regulations, guidelines and practices may be amended from time to time and adjustments to reflect such changes are made on a prospective basis in accordance with Indian GAAP.

*In order to provide a comparative analysis of financial performance in the relevant years, financial information relating to previous fiscal periods may have been reclassified, if applicable. As a result, the consolidated financial information presented in this Preliminary Placement Document as at and for Fiscal 2016 is not comparable between two periods. For further details, see "—**Basis of Presentation**" and "—**Summary of changes to classification**" on pages 86 and 132, respectively.*

Indian GAAP differs in certain material respects from U.S. GAAP and IFRS. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial information included in this Preliminary Placement Document, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. Accordingly, the degree to which the Indian GAAP financial statements included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices.

In addition, the MCA, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind-AS converged with IFRS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies, which was subsequently confirmed by the RBI through its circular dated February 11, 2016. These rules and regulations require the Bank to prepare Ind-AS based financial statements for accounting period commencing April 1, 2018 with comparative financial statements for the accounting period ending March 31, 2018. The nature and extent of the possible impact of Ind-AS on our financial reporting and accounting practices is currently uncertain, and there can be no assurance that such impact will not be significant. For further information, see "Implementation of Ind-AS" below.

*The discussion below includes global and Indian economy as well as financial services and banking industry information derived from publicly available reports and statistics published by government publications and industry resources, and we have not independently verified such information. The discussion below also contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the sections "**Forward-Looking Statements**", "**Risk Factors**" beginning on pages 16 and 43, respectively.*

Overview

The Bank commenced operations on April 12, 1895 and has grown to become the second largest public sector bank in terms of total advances, deposits and assets as at March 31, 2017, according to the Indian Banks' Association.

The Bank has a presence throughout India with a total of 6,940 branches, two-thirds of which are located within rural and semi-urban areas in India, 9,753 ATMs, 8,224 banking correspondents and more than 10.00

crore customers as at September 30, 2017. The Bank also has overseas presence in nine countries through its branches, representative offices, Subsidiaries, Joint Venture and Associates outside India. The Government of India ("**GoI**") owned 65.01% of the Bank's share capital as at September 30, 2017.

As at September 30, 2017, the Bank had gross deposits, gross advances and a total asset base of ₹ 6,36,208.35 crore, ₹ 4,32,985.43 crore and ₹ 7,32,115.53 crore, respectively. As at September 30, 2017, the Bank's market share of aggregate domestic deposits was 5.19%, and its market share of aggregate domestic advances was 4.86%. (*Source: RBI data.*) We also have a large stable percentage of relatively low-cost CASA deposits within our deposit mix. The Bank's ratio of CASA deposits to its total domestic deposits as at September 30, 2017 was 44.38% and our ratio of CASA deposits as at March 31, 2017, March 31, 2016 and March 31, 2015 was 45.97%, 41.63% and 40.57%, respectively.

Further, we have, for the past three years largely achieved the goals set forth for the priority sector under the applicable RBI circular for priority sector lending targets and classification (the "**Priority Sector Circular**"), which sets out that 40.00% of the adjusted net bank credit ("**ANBC**") should be provided to the priority sector ("**Priority Sector Credit**"), with 18.00% and 10.00% of such Priority Sector Credit provided to the agriculture sector and the weaker sections (as identified in the Priority Sector Circular), respectively, and that 5% of ANBC should be credited to women beneficiaries, among others. For further details, see "***Regulations and Policies—Directed Lending***" on page 215.

We are focused on continuing our investment in our technology platforms and systems. Our direct banking platforms enable us to connect with our customers through alternate channels by improving customer retention and supporting the increase in volume of customer transactions.

Our principal business operations are broadly categorized into four segments: our corporate/wholesale banking segment comprises commercial banking products and transactional services, which are provided to our corporate and institutional clients; retail banking comprises financial products provided to our retail customers; treasury operations comprising primarily statutory reserves management, liquidity management and other such services and other banking operations comprising primarily of rural business and agri-business.

The range of products and services offered by the Bank includes loans and advances, deposits, foreign exchange products, retail lending and deposits and fee and commission based products and services. Our principal banking operations include:

- *Retail banking*: Our retail banking products include loans and deposit products targeted primarily at individuals (salaried, self-employed professionals and other self-employed individuals) to meet their personal financial requirements, such as housing, vehicle, education and other personal requirements.
- *Corporate banking:* Our corporate banking operations cater to the business needs of various companies, institutions and other enterprises in the public and private sector. Our corporate banking loans include fund based and non-fund based products, of which the fund based products consist of term loans as well as working capital facilities. We also offer trade loans, bridge financing and foreign currency loans. We also provide finance to corporates through syndication of loans.
- *MSME banking:* Our micro, small and medium enterprises ("**MSME**") banking products include loans to entrepreneurs engaged in manufacturing, service and trading activities in the form of investment as well as working capital.
- *Agricultural banking:* Our agricultural banking operations cater to farmers and agriculture based entrepreneurs through various short, medium and/or long term loan products.

The Bank is also present, through its Subsidiaries, Joint Venture and Associates, in diverse segments of the Indian financial sector, including asset and funds management, investment banking, housing finance and life insurance. The Bank contributed 98.23% of our total consolidated assets as at March 31, 2017.

The table below sets forth summaries of certain of the Bank's key operating and financial performance parameters, as at and for the periods indicated below.

(*In ₹ crores, except percentages*)

Operational and Financial performance parameters*	**As at and during the six month period ended September 30, 2017**	**As at and for the years ended March 31, 2017**	**2016**	**2015**
Average interest-earning assets	6,78,809.10	6,30,481.70	5,89,058.73	5,26,138.68
Net interest income	7,870.32	14,993.17	15,311.78	16,555.57
Average total assets	7,50,175.09	7,01,104.90	6,51,469.95	5,79,180.68
Average yield(1)	7.20%	7.50%	8.05%	8.80%
Average cost of funds(2)	5.04%	5.24%	5.64%	5.91%
Spread(3)	2.16%	2.25%	2.41%	2.90%
Net interest margin(4)	2.32%	2.38%	2.60%	3.15%
Return on average equity(5)	4.19%	3.19%	(9.78)%	8.01%
Return on average assets(6)	0.25%	0.19%	(0.62)%	0.53%
Tier I capital adequacy ratio	8.88%	8.91%	8.41%	9.30%
Tier II capital adequacy ratio	2.68%	2.75%	2.87%	2.91%
Total capital adequacy ratio	11.56%	11.66%	11.28%	12.21%
Net NPAs(7)	34,570.15	32,702.10	35,422.56	15,396.50
Net NPAs ratio(8)	8.44%	7.81%	8.61%	4.06%
Credit to deposit ratio(9)	68.80%	70.50%	78.80%	77.70%
Cost to income ratio(10)	46.35%	39.17%	46.79%	46.74%
Interest coverage ratio(11)	1.07	1.05	0.89	1.12
Provisioning coverage ratio(12)	59.23	58.57	51.06	58.21
CASA ratio(13)	44.32	45.97	41.63	40.57
Gross total advances	4,32,985.43	4,41,751.36	4,32,775.04	3,92,422.15
Gross Deposits	6,36,208.35	6,21,704.02	5,53,051.13	5,01,378.64

**The average balance in respect of total assets is the monthly average of balances outstanding, as reported to the RBI. In respect of the average balance of advances, investments and deposits, which are computed on the basis of daily average of balances outstanding, as reported to the RBI. All other average balances, such as average yields and average costs, are quarterly average of balances outstanding, as reported to the RBI.*

(1) Average yield of interest earning assets.

(2) Average cost of interest bearing liabilities. Excludes equity and includes the cost of Tier 2 and subordinated bonds.

(3) Spread is the difference between yield on average interest earning assets and cost of funds.

(4) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

(5) Return on average equity is the ratio of the net profit after tax to the quarterly average net worth (capital plus reserves).

(6) Return on average assets is the ratio of the net profit after tax to the quarterly average assets.

(7) Net NPAs reflect the Bank's gross NPAs less provisions for NPAs.

(8) Net NPAs ratio is the ratio of net NPAs divided by net advances.

(9) Credit to deposit ratio is calculated as a ratio of total domestic advances excluding interbank advances to total domestic deposits excluding inter-bank deposits.

(10) Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).

(11) Interest coverage ratio is calculated as net profit and depreciation on the Bank's property, divided by interest expended.

(12) Provisioning coverage ratio reflect the ratio of provisions created for NPAs to net NPAs.

(13) Ratio of current account deposits and savings account deposits to domestic deposits (including inter-bank deposits).

Non-GAAP financial measures

We use a variety of financial and operational performance indicators to measure and analyze our operational performance from period to period, and to manage our business. Our management also uses other information that may not be entirely financial in nature, including statistical and other comparative information commonly used within the Indian banking industry to evaluate our financial and operating performance. The key financial and operational performance indicators and ratios are defined, along with a brief explanation, in this Preliminary Placement Document in this section, and in the sections "***Certain Definitions and Abbreviations***", "***Presentation of Financial and Other Information***" and "***Selected Statistical Information***" beginning on pages 20, 12 and 135, respectively. These financial and operational performance indicators have limitations as analytical tools. As a result, these financial and operational performance indicators should not be considered in isolation from, or as a substitute for, analysis of our historical financial performance, as reported and presented in our financial statements. Further, these financial and operational performance indicators are not defined under Indian GAAP, and therefore, should not be viewed as substitutes for performance or profitability measures under Indian GAAP. While these financial and operational performance indicators may be used by other banks and financial institutions operating in the Indian banking industry, they may not be comparable to similar financial or performance indicators used by other banks or financial institutions. Other banks or financial institutions may use different financial or performance indicators or calculate these ratios differently, and similarly titled measures published by them may therefore not be comparable to those used by us.

Basis of Presentation

We have five Subsidiaries, one Joint Venture and ten Associates (including five Regional Rural Banks) which in the aggregate contributed ₹ (137.56) crore and ₹ 338.01 crore to our consolidated profit/(loss) during Fiscals 2017 and 2015, respectively, representing (11.59)% and 9.94% of our consolidated profit/(loss) during those periods, respectively. During Fiscal 2016, our Subsidiaries, Joint Venture and Associates generated an aggregate of ₹ 284.63 crore of profit, while the Bank made a loss of ₹ 3,974.40 crore on a standalone basis, which resulted in our loss of ₹ 3,689.77 crore on a consolidated basis.

This Preliminary Placement Document includes our interim standalone financial statements as at and for the six month period ended September 30, 2017, which were subjected to limited review by our Auditors in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India ("**ICAI**"), and not to an audit. The limited reviewed standalone financial statements of profit and loss and balance sheet as at and for the six month period ended September 30, 2017, included in this Preliminary Placement Document, do not reflect the financial performance or financial condition of the Bank's Subsidiaries, Joint Venture and Associates, and are not indicative of our overall financial condition and financial performance on a consolidated basis. As a result, investors are cautioned that the limited reviewed standalone financial statements as at and for the six month period ended September 30, 2017, included in this Preliminary Placement Document, may not serve as a meaningful basis for investors to evaluate their investment in the Equity Shares. Furthermore, any event or development which affects the performance of any or all of certain key Subsidiaries and Associates could have a material impact on our performance on a consolidated basis.

In order to provide a comparative analysis of financial performance in the relevant years, financial information relating to previous fiscal periods may have been reclassified, if applicable. As a result, the consolidated financial information presented in this Preliminary Placement Document as at and for Fiscal 2016 is not comparable between two periods. For further details, see "—***Summary of changes to classification***" on page 132.

Factors Affecting Results of Operations and Financial Condition

Our asset portfolio, financial condition and results of operations have been, and are expected to be, influenced by a number of factors, including but not limited to, those described below. These factors are expected to affect our growth prospects, including our ability to expand our deposit base, the quality of our assets, the level of credit disbursed by us, the value of our asset portfolio and our ability to implement our business strategy.

Performance of the Indian banking sector

The health of Indian banking sector is affected by various factors, such as changes in the economic conditions of the Indian and global economy, changes in the interest rate environment, movements in global commodity markets and exchange rates, increased global competition, changes in Indian laws, regulations and policies, and rising or falling unemployment. Although India's financial system remains stable due to heavy regulation, the stress on the banking sector, particularly the public sector banks ("**PSBs**"), remains significant.

According to the RBI, the banking stability indicator ("**BSI**") shows that risks to the banking sector remained elevated due to continuous deterioration in asset quality, and low profitability and liquidity In particular, scheduled commercial bank ("**SCB**") deposit growth has increased against slow credit growth, which places pressure on net interest income ("**NII**"), especially for PSBs. Overall, gross NPA ratios of PSBs increased to 9.60% in March 2017 from 9.20% in September 2016 while stressed advances ratios declined to 12.00% from 12.30%. Large borrowers also registered significant deterioration in their asset quality. *(Source: RBI - Financial Stability Report, June 2017.)*

The gross NPA ratio of SCBs increased to 9.60% in March 2017 from 9.20% in September 2016 and the stressed advances ratio declined to 12.00% from 12.30% during the same period. The large borrowers registered significant deterioration in their asset quality. *(Source: RBI - Financial Stability Report, June 2017.)*

Consolidation in the Indian Banking Sector

The merging of and forming of strategic alliances between Indian state-owned banks has increased in recent years. It has been reported in the media that the GoI is working on a consolidation plan in order to create a three-tier structure that will reduce the number of PSBs from 21 to 22 to around 10 to 15. Certain region-centric banks may, however, continue as independent entities while certain medium-sized lenders will also co-exist. The objectives of such consolidation include increasing the scale of banks, strengthening their risk-taking ability, enhancing their bargaining power, aiding in the recovery of bad debts, cutting costs and increasing efficiency. For instance, whereas Indian banks have in the past chosen to expand their branch networks in urban India, consolidation could allow for the sale of real estate where multiple branches in close proximity to each other become redundant, as well as offering voluntary retirement schemes to manage headcount. Most recently in 2017, State Bank of India ("**SBI**") merged with its five associate banks (State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) and the Bharatiya Mahila Bank. The GoI, our controlling shareholder, has significant control over us and could influence us to enter into discussions with the managements of other banks for mergers or the forming of strategic alliances in the future. It is possible that a merger or alliance with a weaker bank may adversely affect our profitability. If such discussions come to fruition, we cannot guarantee that the results of any consolidation will be beneficial to our performance.

Proposed re-capitalization of PSBs by the GoI

The GoI announced a ₹ 2,11,000.00 crore capital infusion plan on October 24, 2017 for state-owned PSBs to be implemented over the next two years, through budgetary provisions of ₹ 18,139.00 crore, recapitalization bonds amounting to ₹ 1,35,000.00 crore and the balance through the raising of capital by banks from the market while diluting equity capital held by the GoI, with an estimated potential of ₹ 58,000.00 crore. As part of its re-capitalization strategy, the GoI has entered into memoranda of understanding with 11 PSBs for their turnaround. Prior to this, the GoI had announced the *Indradhanush* Plan on August 14, 2015 for recapitalizing PSBs, pursuant to which the GoI had envisaged an aggregate capital requirement of ₹ 1,80,000.00 crore by 2018-2019. The present decision for re-capitalization of PSBs further builds upon the *Indradhanush* Plan. *(Source: Press Information Bureau, Government of India, Ministry of Finance. Strong Macro-Economic Fundamentals and Reforms for Sustained Growth, October 24, 2017, available as at December 4, 2017 on http://pib.nic.in/newsite/PrintRelease.aspx?relid=171900.)*

Impact of demonetization on the Indian banking sector

On November 8, 2016, the GoI announced phasing out of high denomination currency notes (₹ 500 and ₹ 1,000) as legal tender. They were immediately replaced with new ₹ 500 and ₹ 2,000 currency notes. This measure was undertaken to curb corruption, tax evasion, and counterfeiting. The withdrawal of the ₹ 500 and ₹ 1,000 notes from circulation started immediately and ended on December 30, 2016.

Demonetization has had a significant impact on the balance sheet of SCBs, both in terms of size and composition. Decline in currency in circulation on account of demonetization led to a surge in bank deposits. The demonetized notes were accepted at bank counters until December 30, 2016. With the replacement of specified bank notes ("**SBNs**") within the banking system, while currency in circulation contracted, deposits in the banking system increased. The sudden increase in deposits (given the gradual replacement of SBNs by new notes) created large surplus liquidity conditions in the banking system. Re-monetization has been progressing at a fast pace. Between the end of December 2016 and early March 2017, there was a net increase in currency in circulation by approximately ₹ 260,000 crore. During this period, deposits with banks also declined moderately. *(Source: Macroeconomic Impact of Demonetization- A Preliminary Assessment; Reserve Bank of India.)*

Post-demonetization, there has been a surge in the CASA deposits of banks. The sharp increase of 4.10% in the share of CASA deposits in aggregate deposits to 39.30% (up to February 17, 2017) resulted in a reduction in the cost of aggregate deposits. Further, the Bank has been able to maintain the share of CASA deposits at

44.38% as at September 30, 2017, which is higher than the share during the pre-demonetization period. The cost of CASA at 3.20% is significantly lower than the weighted average term deposit rate at 7.10%. Banks have also lowered their term deposit rates; the median term deposit rate declined by 38 basis points ("**bps**") from November 2016 to February 2017. CASA deposits in aggregate deposits with SCBs increased by 4.00% to 39.20% as at March 17, 2017 from the pre-demonetization period. The decline in the cost of funding resulted in a decline in the one-year median marginal cost of funds based lending rate by as much as 70 bps post-demonetization (November 2016-February 2017). *(Source: Macroeconomic Impact of Demonetisation – A Preliminary Assessment; Reserve Bank of India.)* This reflected in certain exceptional benefits in the Bank's NII and contributed to its profits during Fiscal 2017 and during the six month period ended September 30, 2017.

For Fiscal 2018, growth is expected to return to normal levels as new currency notes in required quantities are brought into circulation and as follow up actions to demonetization are taken. Helping to maintain the momentum of such growth will be factors such as the monsoon, an increase in the level of exports following the projected increase in global growth and, above all, various reform measures taken by the GoI to strengthen the economy. However, there are a few challenges to forecasting growth, such as the extent to which the effects of demonetization could spill over into next year, the operational challenges faced in the implementation of the GST and the impact of rising oil prices. India's real GDP growth has been estimated to be between 6.75% and 7.50% during Fiscal 2018. *(Source: Economic Survey 2016-2017 – Ministry of Finance.)* For further information on the impact of demonetization on banking sector, see "***Risk Factors—The effects of the Government of India's recent demonetization decision are uncertain***" on page 50.

Provisioning for NPA

Our business involves lending money, and accordingly, is subject to the risks of customer default, which includes default or delays in repayment of principal and/or interest on the loans we provide to customers. The Bank's gross NPAs on a standalone basis were ₹ 57,630.11 crore as at September 30, 2017, representing 13.31% of the Bank's gross advances as at that date, while the Bank's net NPAs on a standalone basis were ₹ 34,570.15 crore as at that date, representing 8.44% of the Bank's net advances as at that date. Our gross NPAs on a consolidated basis were ₹ 55,370.45 crore, ₹ 55,818.33 crore and ₹ 25,694.86 crore as at March 31 2017, March 31, 2016 and March 31, 2015, respectively, representing 12.53%, 12.90% and 6.55%, respectively, of our gross customer assets as at such dates, while our net NPAs on a consolidated basis were ₹ 32,702.11 crore, ₹ 35,422.57 crore and ₹ 15,396.50 crore, representing, 7.81%, 8.61% and 4.06%, respectively, of our net customer assets as at those dates.

The RBI's internal advisory committee (the "**IAC**") had directed banks in May 2017 to refer 12 identified NPA for resolution under the Insolvency and Bankruptcy Code, 2016 ("**IBC**"). The IAC had also recommended in May 2017 that banks should finalize and agree a viable resolution plan for certain other non-performing accounts within a period of six months, failing which banks would be required to file for insolvency proceedings under the IBC. As at September 30, 2017, the Bank was exposed to 29 such accounts with aggregate NPAs of ₹ 18,423.24 crore and in respect of which we had made provisions of ₹ 6,934.10 crore as at that date. As at September 30, 2017, the Bank had initiated insolvency proceedings under the IBC against 16 such large stressed accounts.

We make provisions in accordance with the applicable RBI guidelines and our profit is affected by the amount of provisions against loans, recovery and litigation costs. As a result of these NPAs, the Bank incurred high provision expenses which amounted to ₹ 5,253.49 crore during the six month period ended September 30, 2017 on a standalone basis, representing 18.32% of the Bank's total income during that period, while it incurred high provision expenses which amounted to ₹13,578.59 crore, ₹18,800.68 crore and ₹ 8,262.05 crore during Fiscals 2017, 2016 and 2015 on a consolidated basis, respectively, representing 23.73%, 33.04% and 15.05% respectively, of our total income during such periods.

The Bank's provisioning coverage ratio ("**PCR**") during the six month period ended September 30, 2017 was 59.23% on a standalone basis and the Bank's PCR, on a standalone basis, during Fiscals 2017, 2016 and 2015 was 58.57%, 51.06% and 58.21%, respectively. The surplus from provisioning under the PCR as against the provisioning required under the prudential provisioning norms is required to be segregated into an account termed "counter cyclical provisioning buffer". While we have already made provisions for NPAs, we cannot assure you that the RBI will not further increase provisioning requirements in the future.

Besides the PCR, the Bank has an internal estimate for loan losses and risks inherent in the credit portfolio while deciding on the level of provisions. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may undergo material changes. Any incorrect estimation of risks may result in our provisions not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio. Also see "***Selected Statistical Information—NPAs***" on page 151.

Based on the asset quality review undertaken by the RBI for banks in India in 2016, we had incurred net losses of ₹ 3,974.40 crore on a standalone basis and ₹ 3,689.77 crore on a consolidated basis during Fiscal 2016. As part of that review, with respect to our asset portfolio as at March 31, 2016, the RBI identified certain accounts aggregating to ₹ 10,173.25 crore and instructed us to classify them as NPAs and provide adequate provisions for them which resulted in the net losses incurred in Fiscal 2016. Accordingly, regulatory feedback has noted that there have been deterioration in the asset quality and the Bank may need to make a significant amount of provisions in the future in order to ensure a healthy balance sheet, and assessed the Bank's capacity to have a higher amount of retained earnings going forward as limited.

For further details on factors affecting our customers' risk of default, see "***Risk Factors—We are exposed to risks related to high levels of customer default and the resulting increase in NPAs as well as the provisions required under the requirements mandated by the RBI.***" and "***Risk Factors—We have a high concentration of loans to certain customers and if a substantial portion of these loans were to become non-performing, the quality of our loan portfolio could be adversely affected. In addition, we are exposed to risks relating to concentration of our NPAs***" on pages 44 and 45, respectively.

For further information on the provisioning policies of the RBI, see "***Regulations and Policies***" beginning on page 211.

Global economic conditions

Global growth was estimated to have fallen in 2016 at a post-financial crisis low of 2.40% and global growth is projected to rise to 2.70% in 2017, before strengthening further to an estimated 2.90% in 2018-19. A recovery in industrial activity has coincided with a pickup in global trade, after two years of marked weakness. In emerging markets and developing economies, obstacles to growth among commodity exporters are gradually diminishing, while activity in commodity importers remains generally robust. Activity in advanced economies is expected to have gained momentum in 2017, supported by an upturn in the United States. In the Euro Area and Japan, growth forecasts have been upgraded, reflecting strengthening domestic demand and exports. Investment across advanced economies has firmed, while private consumption growth has moderated. The recovery in global trade coincides with strengthening investment, which is more import-intensive than other components of aggregate demand. Nevertheless, structural headwinds, including slower trade liberalization and value chain integration, as well as elevated policy uncertainty, continue to weigh on the outlook for trade. *(Source: World Bank Group. 2017. Global Economic Prospects, June 2017 A Fragile Recovery. Washington, DC: World Bank. doi:10.1596/978-1-4648-1024-4, available as at November 25, 2017 on http://www.worldbank.org/en/publication/global-economic-prospects.)*

Several global economic developments are expected to have an impact on the Indian economy, and consequently, the Bank's financial performance, including (i) in the short term, the change in the outlook for global interest rates as a result of the U.S. elections and the implied change in expectations of U.S. fiscal and monetary policy will impact on India's capital flows and exchange rates; (ii) the medium-term political outlook for globalization, a strong dollar, and stagnant or declining trade at the global level will affect India's export and growth prospects; and (iii) developments in the U.S., especially the rise of the U.S. dollar, will have implications for China's currency and currency policy. If China is unable to successfully re-balance its economy, there could be negative spillover effects on India and the rest of the world. *(Source: Economic Survey 2016-2017 – Ministry of Finance.)* In addition, the United Kingdom's withdrawal from the European Union and the prospect of an eventual exit from the European Union may also create business and financial uncertainty, and there can be no assurance as to the effect that the outcome of the referendum and an eventual exit from the European Union may have on the general economic, financial and political conditions in the United Kingdom, Europe or globally, nor the impact that conditions may have on the factors that affect our business, results of operation and financial condition. Global economic conditions therefore continue to significantly impact macroeconomic conditions in India and consequently our financial condition and financial performance.

Economic conditions in India

As a banking and financial services company with most of its operations based in India, our financial condition and results of operations have been and will continue to be significantly affected by overall economic growth patterns in India, which in turn are affected by global economic conditions. With a population of 1.32 billion, according to World Bank data, India is currently the world's second most populous country. *(Source: World Bank. Available at http://data.worldbank.org/indicator/SP.POP.TOTL.)* It is ranked seventh in the world in terms of GDP, with a GDP of approximately U.S.$2.26 trillion during Fiscal 2016. *(Source: World Bank. Available at http://data.worldbank.org/data-catalog/GDP-ranking-table.)* It has been estimated to have a GDP at current prices of ₹ 152.51 trillion during Fiscal 2017. *(Source: Central Statistical Office of India's Ministry of Statistics and Programme Implementation, available at http://mospi.nic.in/sites/default/files/press_release/nad_pr_28feb17r.pdf as at April 30, 2017.)* The RBI had estimated that India's GDP growth at market prices is estimated at 7.10% during Fiscal 2017 as against 8.00% during Fiscal 2016. *(Source: Reserve Bank of India Monetary Policy Report - October 2017.)*

A slowdown in the Indian economy could adversely affect our business and our borrowers and contractual counterparties, especially if such a slowdown were to be continued and prolonged. Growth in India has been estimated to reach 7.20% during Fiscal 2017 and accelerate to 7.70% during Fiscal 2020. *(Source: World Bank Group. 2017. Global Economic Prospects, June 2017 A Fragile Recovery. Washington, DC: World Bank. doi:10.1596/978-1-4648-1024-4, available as at November 25, 2017 on http://www.worldbank.org/en/publication/global-economic-prospects.)*

Inflation

High rates of inflation in the Indian economy have impacted and could continue to impact our ability to sustain profitable net interest margins ("**NIMs**"). During Fiscal 2016, the inflation rate continued to moderate in India. The Consumer Price Index ("**CPI**")-New Series inflation, which averaged 4.90% during April-December 2016, has displayed a downward trend since July due to positive drifts in agriculture sector. The Wholesale Price Index ("**WPI**") inflation has reversed, from (-)5.10% in August 2015 to 3.40% at the end of December 2016, due to rising international oil prices. Core inflation has, however, been more stable, around 4.50% to 5.00% for Fiscal 2017. *(Source: Economic Survey 2016-2017 – Ministry of Finance.)* These disinflationary trends in the economy, likely assisted by demonetization, bode well for the banking sector but increased volatility or inflation in India due to base effect could affect the Bank's business. The annual rate of inflation, based on monthly WPI, stood at 5.70% (provisional) for the month of March, 2017 (over March 2016) as compared to 6.55% (provisional) for February and (-)0.45% during March 2016. (*Source: Ministry of Commerce and Industry; Index Numbers of Wholesale Price in India - Review for the month of March 2017.)*

As at October 24, 2017, inflation had declined from nearly double digits in 2012-13 and 2013-14 to an average of less than 5.00% since then. This is in part due to decisive steps taken by the GoI, a decline in crude prices from its high levels in 2013-14 and benign global prices of tradables, which helped the Indian economy break out from an inflationary spiral to relatively stable prices. As at October 24, 2017, inflation was well within the target of 4.00% although the RBI projects an increase to 4.2-4.6% in the second half of the current financial year - a little higher than the 4.00% target, but within the range of 4+/-2%. *(Source: The Press Information Bureau, available as at November 25, 2017 at http://pib.nic.in/newsite/PrintRelease.aspx?relid=171900.)*

Despite moderation in India's exports, India's current account deficit ("**CAD**") progressively contracted from U.S.$88.20 billion (4.80% of GDP) in Fiscal 2013 to U.S.$22.20 billion (1.10% of GDP) during Fiscal 2016. The CAD further narrowed in first half of Fiscal 2017 to 0.30% of GDP. The downward spiral in international crude oil prices resulted in a decline in the oil import bill which, together with a sharp decline in gold imports, led to a decrease in India's overall imports. *(Source: Economic Survey 2016-2017 – Ministry of Finance.)* Although India's CAD increased overall from U.S.$0.3 billion (0.10% of GDP) in the fourth quarter of Fiscal 2016 to U.S.$3.4 billion (0.60% of GDP) in the fourth quarter of Fiscal 2017, it has narrowed from U.S.$8.0 billion (1.4% of GDP) in the preceding quarter. *(Source: The RBI's Developments in India's Balance of Payments during the Fourth Quarter (January - March of 2016-17.)* For further information, see "***Risk Factors—If inflation were to rise in India, we might not be able to increase the price of our products at a proportional rate in order to pass costs on to our customers and our profits may decline***" on page 70.

Recent macroeconomic trends

Through the first half of Fiscal 2018, global financial markets were lifted by record low volatility, declining credit spreads and stretched market valuations, as concerns about the pace of reflation and the normalization of monetary policy in advanced economies receded. Equity markets scaled new peaks relative to earnings, propelled by a renewed reach for returns. Bond yields, which had firmed up till early 2017, reversed course from April on softer than expected commodity prices, as well as expectations of a more relaxed pace of monetary policy normalization. The U.S. dollar depreciated against major currencies, partly correcting for the upside it had gained after the U.S. Presidential elections. However, in August 2017, geopolitical risks sparked bouts of volatility. Global financial markets remained largely resilient to the September 2017 communication of the Federal Reserve on its balance sheet normalization. Financial markets in emerging market economies remained tranquil, with equity markets surging and the return of large portfolio flows exerting appreciation pressure on their respective currencies. *(Source: Monetary Policy Report, October 2017.)*

The Indian Rupee was largely resilient against the U.S. dollar during Fiscal 2015, and depreciated marginally by an average of 1.10% over Fiscal 2015. The Indian Rupee declined overall during Fiscal 2016 due to emerging market sell-offs, expectations of an interest rate increase by the U.S. Federal Reserve, global uncertainty due to the devaluation of the Chinese Yuan and changes in China's exchange rate policy. During Fiscal 2017, the Indian Rupee experienced two-way volatility due to India's improving macroeconomic fundamentals, the outcome of the U.S. presidential election, foreign institutional investment flows into India and the passage of India's GST bill. While the Indian Rupee ended Fiscal 2017 on a strong note at ₹ 64.84 to the U.S. dollar, rallying approximately 4.70% from end-December 2016, it depreciated on an average of 2.40% against the U.S. dollar between Fiscal 2016 and Fiscal 2017. *(Source: RBI's Database on Indian Economy, available as at November 25, 2017 at https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home.)* Factors such as India's low and narrowing current account deficit, the emphasis of monetary policy on the 4.00% inflation target, the transient impact of demonetization on economic activity, the commitment to fiscal prudence announced in the Union Budget and the implementation of the GST, provided stability to the exchange rate, with exchange rate volatility declining considerably: the coefficient of variation of the Indian Rupee/U.S. dollar exchange rate at 0.60% during the first half of Fiscal 2018 was lowest since Fiscal 2006. The Indian rupee gained further in March 2017, as foreign portfolio investment inflows, especially equity, were boosted by the outcome of State elections - which raised expectations of acceleration in the pace of reforms. In the first half of Fiscal 2018, the Indian rupee traded with an appreciating bias against the U.S. dollar, strengthening by around 4.00% after six consecutive years of depreciation.

Credit growth, particularly to industry, remained slow. Banks were risk averse due to high levels of stressed assets and weak demand, in view of the depressed investment cycle and the presence of spare capacity in manufacturing. The deceleration in the industrial sector could be observed even before demonetization - the Index of Industrial production ("**IIP**") contracted by 0.30% in the period April to October 2016 as compared with a growth of 4.80% in the same period of the previous year. On the positive side, with re-monetization, currency in circulation has steadily moved closer to the pre-demonetization level, reaching about 88% of the level (₹ 17.97 trillion) immediately before demonetization. *(Sources: Monetary Policy Report, April 2017; Reserve Bank of India, and Monetary Policy Report, October 2017; Reserve Bank of India.)*

India's sovereign ratings as at November 28, 2017 were "Baa2/Positive" from Moody's and "BBB-/Stable" from Fitch.

RBI's monetary policy

The RBI's monetary policy is significantly affected by the condition of the Indian economy, and changes in the monetary policy will affect the interest rates of our loans and deposits. Since May 2011, the RBI has shifted to a single signaling policy rate – the repo rate. Under the operating framework, the RBI sought to align the call money rate, which is its operating target, with its policy rate. It used liquidity adjustment facility ("**LAF**") as a principal instrument for this objective. Banks, in practice, had an unlimited access to liquidity under the LAF repo window subject to collateral availability. (*Source: RBI Annual report for 2013-14 available as at December 4, 2017 at https://www.rbi.org.in/Scripts/AnnualReportPublications.aspx?Id=1121.)*

Following the RBI's decision to lower the policy repo rate by 25 bps in June 2017, the policy repo rate under LAF was set at 6.00%, and remained unchanged in October 2017 and in December 2017. Consequently, the reverse repo rate under the LAF remains unchanged at 5.75% and the marginal standing facility ("**MSF**") rate and the bank rate at 6.25%. Furthermore, the RBI may respond to fluctuating levels of economic growth, concerns about banks' liquidity position and inflationary pressures in the economy by adjusting the required cash reserve ratios ("**CRR**") of Indian banks in conjunction with its LAF operations. The CRR is our balance held in a current account with the RBI and which is calculated as a specified percentage of our net demand and time liabilities, excluding interbank deposits. As at the date of this Preliminary Placement Document and March 31, 2017, the RBI requires a CRR of 4.00% of the Bank's net demand and time liabilities accounts, and banks do not earn any interest on those reserves. As the CRR increases, the Bank must hold more cash in its reserves, which constrains its ability to deploy funds by making advances to customers or investing funds for potential gains. The RBI has the authority to prescribe CRR without any ceiling limits and is not obliged to pay interest payments on CRR balances. Any increases in the CRR requirements could affect the Bank's ability to deploy funds or make investments, which could in turn have a negative impact on its results of operations.

All banks operating in India are also required to maintain an SLR, which is a specified percentage of a bank's net demand and time liabilities by way of liquid assets such as cash, gold or approved unencumbered securities. Approved unencumbered securities consist of unencumbered Government securities and other securities as may be approved from time to time by the RBI and would earn lower levels of interest as compared to advances to customers or investments made in other securities. For further information, see "***Regulations and Policies***" beginning on page 211.

GoI policies and regulation

The Indian banking industry is regulated by the RBI and operates within a framework that stipulates guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for non-performing assets ("**NPAs**"). The framework also stipulates required levels of lending to "priority sectors," such as agriculture, which may expose the Bank to higher levels of risk than it might otherwise face. The RBI may alter any of these policies at any time and/ or may introduce new regulations to control any particular line of business. Any changes in the regulatory environment pertaining to the Indian financial services industry could have a significant impact on our operations and financial condition. In addition to the RBI, changes in developmental policies of the GoI may impact the business of the Bank in a positive or adverse manner depending upon the effect of the relevant policy. For further information, see "***Regulations and Policies***" beginning on page 211.

Implementation of GST

The goods and services tax ("**GST**") has been implemented by the GoI with effect from July 1, 2017 and has subsumed a large number of central and state indirect taxes, resulting in a unified tax across the country. The GST is expected to help remove transport restrictions on the movement of goods, help create a common market, reduce corruption and leakage, assist the Make in India program, and boost revenues, investment and medium-term economic growth. *(Source: Press Information Bureau, Government of India, Ministry of Finance. Strong Macro-Economic Fundamentals and Reforms for Sustained Growth, October 24, 2017, available as at December 4, 2017 on* http://pib.nic.in/newsite/PrintRelease.aspx?relid=171900.*)* On the other hand, the GST also introduces registration requirements for businesses. In particular, MSMEs and other businesses from the economy's informal sector are expected to make a higher number of banking transactions than previously as a result of implementation of the GST which, we believe, would have a positive impact on the banking industry in India.

Implementation of Bharatmala Paryojana

The GoI has significantly increased highway development plans and its road building program through the *Bharatmala Paryojana*. This road building program for the construction of 83,677.00 km of roads will involve a capital expenditure of ₹ 6,96,000.00 crore over the next five years until Fiscal 2022. *(Source: Press Information Bureau, Government of India, Ministry of Finance. Strong Macro-Economic Fundamentals and Reforms for Sustained Growth, October 24, 2017, available as at December 4, 2017 on http://pib.nic.in/newsite/PrintRelease.aspx?relid=171900.)*

Capital requirements under Basel III Capital Regulations

The RBI issued the Basel III Capital Regulations on May 2, 2012, pursuant to the Bank for International Settlements Basel III international regulatory framework, which was implemented from April 1, 2013. On

July 1, 2015, the RBI issued a master circular on the Basel III Capital Regulations, consolidating all relevant guidelines on Basel III issued up to June 30, 2015. Under the Basel III Capital Regulations, banks are required to improve the quantity, quality and transparency of their Tier I capital and to meet liquidity requirements. With regard to the introduction of countercyclical capital buffers ("**CCCBs**"), the framework on CCCBs was put in place by the RBI in terms of guidelines issued on February 5, 2015 wherein it was advised that the CCCB would be activated as and when the circumstances warranted, and that the decision would normally be pre-announced with a lead time of four quarters. Based on the review and empirical testing of CCCB indicators, the RBI has not yet announced the implementation of such buffers. By March 2019, when the Basel III norms are fully implemented, the minimum total capital adequacy ratio (including the capital conservation buffer) will be required to be 11.50% of RWA. The table below sets forth the capital requirements under the Basel III Capital Regulations for banks in India:

	Regulatory Capital	As % of RWA
(i)	Minimum Common Equity Tier I ("**CET 1**") Ratio	5.50
(ii)	Capital Conservation Buffer ("**CCB**") (comprising Common Equity)	2.50
(iii)	Minimum CET I Ratio + CCB ((i)+(ii))	8.00
(iv)	Additional Tier I capital ("**AT I**")	1.50
(v)	Minimum Tier I capital adequacy ratio ((i) +(iv))	7.00
(vi)	Tier II capital	2.00
(vii)	Minimum Total Capital ("**MTC**") Ratio ((v)+(vi))	9.00
(viii)	MTC Ratio + CCB ((vii)+(ii))	11.50

As at September 30, 2017the Bank's capital adequacy ratio and Tier I capital adequacy ratio under the Basel III Capital Regulations were 11.56% and 8.88%, respectively, and as at March 31, 2017, our capital adequacy ratio and Tier I capital adequacy ratio were11.66% and 8.91%, respectively. However, the RBI may in its assessment, disagree with the manner in which such regulatory capital ratios have been computed by us on account of lack of additional provisions being made for certain NPA accounts that may be identified by the RBI as well as provisions towards valuation of certain investments, which may result in lower capital adequacy ratios. Moreover, allocation of certain amounts from the CET I Ratio on account of their allocation towards pension fund assets may result in different computations of our capital adequacy ratios under the Basel III Capital Regulations. For further details, see "***Risk Factors—The implementation of Basel III Capital Regulations may adversely affect us and we may face certain difficulties in maintaining our prescribed capital adequacy ratios. Failure to comply with the capital adequacy requirements stipulated by the RBI may materially and adversely affect our business and operations***" on page 46.

Liquidity Requirements

The RBI has, as part of the Basel III liquidity framework, issued and will be issuing guidelines on liquidity management applicable to banks. Additionally, there are guidelines on liquidity, asset liability management ("**ALM**") and interest rate sensitivity from RBI. The various liquidity requirements deal with Liquidity Coverage Ratio ("**LCR**"), liquidity monitoring tools, stress testing, and other liquidity ratios.

LCR became effective on January 1, 2015, and Intra Day Liquidity Monitoring became effective on January 1, 2015, whereas the Net Stability Funding Ratio ("**NSFR**"), with respect to which draft guidelines have been issued by the RBI, will be binding on banks from January 1, 2018. The guidelines relating to NSFR seek to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the probability of erosion of a bank's liquidity position due to disruptions in its regular sources of funding that increase the risk of its failure and potentially lead to broader systemic stress. During Fiscal 2017, we reported LCR (based on quarter-end averages) of 85.46%, 105.23%, 135.22% and 143.16%, for the first, second, third and fourth quarters, respectively, and reported LCR (based on quarter-end averages) of 117.11% and 115.74%, for the first and second quarters, respectively, during Fiscal 2018 against the currently applicable minimum requirement of 80.00%. For further details, see "***Risk Factors—We are subject to certain liquidity risks***" on page 55.

Performance of certain key Subsidiaries, Joint Venture and Associates

We have five Subsidiaries, one Joint Venture and ten Associates (including five Regional Rural Banks) which in the aggregate contributed ₹ (137.56) crore and ₹ 338.01 crore to our consolidated profit during Fiscals

2017 and 2015, respectively, representing (11.59)% and 9.94% of our consolidated profit during those periods, respectively. During Fiscal 2016, our Subsidiaries, Joint Venture and Associates generated an aggregate of ₹ 284.63 crore of profit, while the Bank made a loss of ₹ 3,974.40 crore on a standalone basis, which resulted in our loss of ₹ 3,689.77 crore on a consolidated basis.

Anything which affects the performance of any or all of certain key Subsidiaries and Associates could have a material impact on our performance on a consolidated basis. In particular, our Associate (prior to November 2016, a Subsidiary), PNB Housing Finance Limited ("**PNBHFL**"), contributed ₹ 204.67 crore to our net profit during Fiscal 2017 compared to ₹ 166.50 crore during Fiscal 2016. Our Subsidiary, PNB Gilts Limited ("**PNBGL**"), in which the Bank had an ownership of 74.07% of equity share capital as at March 31, 2017, contributed ₹ 123.83 crore to our net profit during Fiscal 2017 compared to ₹ 25.55 crore during Fiscal 2016. These contributions were partially offset by a loss of ₹ 612.47 crore incurred by our wholly-owned subsidiary in the U.K., PNB International Limited ("**PNBIL**") during Fiscal 2017 compared to a loss of ₹ 65.89 crore during Fiscal 2016.

PNBHFL announced its standalone unaudited financial statements for the six month period ended September 30, 2017, which were subjected to limited review by its statutory auditors in accordance with the SEBI Listing Regulations, on October 25, 2017. During the six month period ended September 30, 2017, PNBHFL recorded a profit after tax of ₹ 392.74 crore, which would result, on the basis of our ownership of the equity share capital of PNBHFL as at September 30, 2017, in a contribution of approximately ₹ 153.50 crore to our net profit during that period.

PNBGL announced its standalone unaudited financial statements for the six month period ended September 30, 2017, which were subjected to limited review by its statutory auditors in accordance with the SEBI Listing Regulations, on November 8, 2017. During the six month period ended September 30, 2017, PNBGL recorded a profit after tax of ₹ 39.57 crore, which would result, on the basis of our ownership of the equity share capital of PNBGL as at September 30, 2017, in a contribution of approximately ₹ 29.30 crore to our net profit during that period.

In relation to PNBIL, due to a consolidation exercise undertaken by PNBIL, its total business decreased by 21.95% to U.S.$2,212 million as at March 31, 2017 from U.S.$2,834 million as at March 31, 2016. PNBIL's expenditure to income ratio increased to 43.16% during Fiscal 2017 from 29.71% during Fiscal 2016 and its gross impaired advances increased to U.S.$299.39 million as at March 31, 2017 from U.S.$144.99 million as at March 31, 2016 leading to additional impairment provisions of U.S.$153.39 million. The net impaired advances increased to U.S.$40.83 million as at March 31, 2017 from U.S.$36.37 million as at March 31, 2016. As a result, PNBIL's operating profit before provisions, tax and dividends decreased by 47.26% to U.S.$20.05 million during Fiscal 2017 from U.S.$38.26 million during Fiscal 2016 and declared a loss before tax of U.S.$133.34 million during Fiscal 2017.

The Bank has issued a letter of comfort to the regulator in the United Kingdom, Prudential Regulation Authority ("**PRA**"), committing that it shall provide financial support to PNBIL to assist it in meeting its financial commitments, as and when they fall due. The PRA had through its letter dated September 2, 2015 put PNBIL under its "watch list", which did not entail any specific restrictions or penalties. The Bank subscribed to fresh capital of U.S.$100.00 million issued by PNBIL on March 31, 2017 to help it to meet the relevant minimum regulatory capital requirements in the United Kingdom. As at March 31, 2017, PNBIL had a capital adequacy ratio of 21.70% after the capital infusion by the Bank. For further details, see **"*Financial Statements*"** beginning on page 270.

Interest rates, allocation of funds and costs of funding

Interest income has historically been the most significant component of our total income. One of the measures through which we analyze our financial performance is NII, which represents our total interest earned less total interest expense that we pay on our interest-bearing liabilities. During the six month period ended September 30, 2017, the Bank's NII was ₹ 7,870.32 crore on a standalone basis, representing 27.45% of the Bank's total income during that period. During Fiscals 2017, 2016 and 2015, our NII was ₹ 15,335.77 crore, ₹ 16,473.28 crore and ₹ 17,366.77 crore on a consolidated basis, respectively, representing 26.80%, 28.51% and 31.64%, respectively, of our total income in such periods. NII represents the excess of interest earned from interest-earning assets (such as performing loans and investments) over the interest paid on interest-bearing customer deposits and borrowings. Changes in interest rates affect the interest rates we charge on our interest-earning assets and that we pay on our interest-bearing liabilities. Our NII is dependent on a number of factors including the general level of interest rates, its ability to allocate its funds to assets that provide high interest rates and its cost of funding.

Interest rates

Our results of operations depend to a great extent on our interest rates. During Fiscals 2017, 2016 and 2015, our NII represented 1,291.72%, (446.46)% and 510.85% of our profit after tax, on a consolidated basis, respectively. Another measure of our financial performance is our NIM, which for any given period represents the ratio of NII to the average of interest-earning assets. NII, NIM and the volume of such assets and liabilities tend to significantly impact our results of operations. During the six month period ended September 30, 2017, the Bank's NIM was 2.32%, and during Fiscals 2017, 2016 and 2015, our NIM was 2.38%, 2.60% and 3.15%, respectively. As at September 30, 2017, the Bank's loans and investments constituted 60.64% and 31.12%, respectively, of its interest-earning assets.

Changes in market interest rates affect the interest we charge on our interest-earning assets differently from the interest we pay on our interest-bearing liabilities and also affect the value of our investments. We are particularly vulnerable to volatility and mismatch in generally prevailing interest rates, especially if the changes are sudden or sharp. For instance, our NIM could be adversely affected because the interest paid by us on our deposits could increase at a higher rate than the interest received by us on our advances and other investments. Indian banks generally follow the direction of interest rates set by the RBI and adjust both their deposit rates and lending rates upwards or downwards accordingly. Decreases in the RBI policy rates would prompt Indian banks to re-examine their lending rates. Conversely, increases in the RBI policy rates could affect the ability of potential borrowers to take out loans despite partly mitigating higher deposit costs. Adverse changes in prevailing interest rates may result in a decline in NII due to increase in our costs of funds or deposits without a corresponding increase in our yield on assets, and may also lead to a decline in demand for our loan products.

The following table sets forth the RBI's CRR, the reverse repo rate, repo rate and MSF as at the dates indicated:

Date	CRR	Reverse Repo	Repo Rate	MSF
March 31, 2015	4.00%	6.50%	7.50%	8.50%
March 31, 2016	4.00%	5.75%	6.75%	7.75%
March 31, 2017	4.00%	5.75%	6.25%	6.75%
December 6, 2017	4.00%	5.75%	6.00%	6.25%

(Source: RBI)

For further information see "***Industry Overview***" on page 157 and "***Risk Factors—Our business and financial performance are particularly vulnerable to interest rate risk***" on page 43.

Allocation of funds

The Bank's ability to leverage an increase in the floating rates depends primarily on its loan volume. Growth in the Indian economy has led to increased demand for funding across various sectors of the economy. This growth has contributed to the Bank's ability to reallocate its funds from GoI securities to loans, which offer the Bank higher returns. However, asset mix also has an effect on profitability as the Bank's loans bear different interest rates reflecting different credit ratings. We diversify our NII portfolio by lending to a mix of large corporate, emerging mid-size corporate, small and medium enterprises and retail customers across various industry segments. If the volume of the Bank's loans decreases due to a general slowdown in the economy, increased competition or other factors, the Bank's NII will decrease as well. In addition, the Bank seeks to allocate its funds in the optimum manner at any point of time depending on its liquidity and the prevailing interest rates. As a result of the Bank's diversified loan book, a decrease in interest income earned in one of the Bank's segments such as corporate loans may be offset by the income earned on its home loans and consumer loans portfolio.

Cost of funding

The Bank has an extensive network across India with more than two-thirds of its branches in rural and semi-urban areas where the level of income per capita is increasing. The Bank's deposits increased by ₹ 68,652.89 crore, or 12.41%, to ₹ 6,21,704.02 crore as at March 31, 2017 from ₹ 5,53,051.13 crore as at March 31, 2016, primarily on account of growth in the Bank's savings deposits, which increased by 26.40% to ₹ 2,14,162.55 crore as at March 31, 2017 from ₹ 1,69,426.35 crore as at March 31, 2016. The Bank's savings deposits increased largely due to demonetization, which helped the Bank to access a larger customer base than it had previously. CASA deposits contributed 44.38% to the Bank's total domestic deposits as at September 30, 2017 and contributed 45.97%, 41.63% and 40.57% to our total domestic deposits as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively. The Bank's average cost (i.e., interest expense divided by average of daily balances) of savings deposits was 3.87% during the six month period ended September 30, 2017 on a standalone basis, while our average cost of savings deposits was 4.00%, 4.00% and 4.00% on a consolidated basis, during Fiscals 2017, 2016 and 2015, respectively. The Bank had an aggregate amount of ₹ 11,110.00 crore in Tier 2 bonds which was 1.52% of its total liabilities as at September 30, 2017. The Bank's average cost of funds (i.e., average cost of interest bearing liabilities, expressed as a percentage, excluding equity and includes the cost of Tier 2 and subordinated bonds) was 5.04% during the six month period ended September 30, 2017 on a standalone basis, while our average cost of funds was 5.24%, 5.64% and 5.91% during Fiscals 2017, 2016 and 2015 on a consolidated basis, respectively.

Operating expenses and cost to income ratio

One of the key ratios we use to measure our performance is the cost to income ratio, which is the ratio of operating expenses divided by total operating income (total of NII and other income). Our ability to improve our profitability depends on our efforts to continue to grow our loan portfolio and expand our operations, while at the same time reducing our costs. High cost to income ratios could adversely affect our margins, return on average assets and profitability. In recent years, we have made certain investments towards our strategy to focus on digitization and technology. During the six month period ended September 30, 2017 the Bank's cost to income ratio was 46.35% on a standalone basis, while during Fiscals 2017, 2016 and 2015, the Bank's cost to income ratio was 39.17%, 46.79% and 46.74% on a standalone basis, respectively.

Employee cost is a large component of our total cost. The Bank's employee cost constituted 12.30% of its total income and 62.86% of its total operating expenses during the six month period ended September 30, 2017. During Fiscals 2017, 2016 and 2015, our employee cost constituted 9.58%, 11.54% and 13.61%, respectively, of our total income, and 57.57%, 63.43% and 69.10%, respectively, of our total operating expenses. The Indian financial services sector is highly competitive, and it can be difficult and expensive to hire and assimilate talented and experienced employees. Any changes in our employee costs would have an impact on our cost to income ratio.

We are in the process of rationalizing our branch structure and reallocating resources to increase efficiencies, and further aim to improve productivity by creating a culture of cost control and operational efficiency internally by striking an effective balance between people, processes and technology through the optimal allocation and utilization of resources. Undertaking rationalization measures such as merging branches and monetizing certain assets such as redundant ATMs may affect our cost to income ratios. As we continue to expand our business and operations consistent with our growth strategy, our operating expenses could increase in the future, primarily on account of our strategy to develop and focus on digitization and technology.

Competition

We face competition in all principal areas of our business. Other PSBs, private sector banks and foreign banks are our main competitors, followed closely by non-banking finance companies ("**NBFCs**"), asset management companies, development financial institutions, mutual funds and investment banks.

We may also face increased competition from foreign banks if the Indian retail market is further liberalized or if regulations and restrictions upon branch network growth by foreign banks are simplified or reduced, foreign banks may operate in India by establishing wholly owned subsidiaries which are allowed to raise Rupee resources through issue of non-equity capital instruments. In addition, wholly owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 3 centers except at specified locations considered sensitive for national security reasons.

In addition, the New Bank Licensing Guidelines were issued by the RBI in February 2013. These specified that selected entities or groups in the private sector, entities in the public sector and NBFCs with sound credentials, integrity and a successful financial track record of at least 10 years would be eligible to provide banking services. On April 2, 2014, the RBI granted in-principle approval to two applicants to set up universal banks under the New Banks Licensing Guidelines, pursuant to which IDFC Bank and Bandhan Bank have been set up. In the future, the RBI may issue further licenses under the liberalized license regime. The RBI has also issued guidelines dated November 27, 2014 on licensing of "small finance banks" and "payments banks" in the private sector in the banking industry, including the eligibility criteria, scope, capital requirements, shareholding structure, prudential norms, and other corporate governance practices applicable to such proposed entities.

Further, the New Bank Licensing Guidelines were issued by the RBI in February 2013 specifying that selected entities or groups in the private sector, entities in the public sector and NBFCs with a successful track record of at least 10 years would be eligible to provide banking services. On April 2, 2014, the RBI granted in-principle approval to two applicants to set up universal banks under the New Banks Licensing Guidelines. In the future, the RBI may issue further licenses under the liberalized license regime. The RBI has also issued guidelines dated November 27, 2014 on licensing of "small finance banks" and "payments banks" in the private sector in the banking industry, including the eligibility criteria, scope, capital requirements, shareholding structure, prudential norms, and other corporate governance practices applicable to such proposed entities.

RBI granted in-principle approvals to 11 applicants to set up payment banks. Airtel Payments Bank Limited began operations as India's first payments bank in January 2017. They were subsequently followed by India Post, FINO PayTech, Jio Payments Bank, PayTM, National Securities Depository Limited and Aditya Birla Idea Payments Bank, making a total of seven payments banks in India. Additionally, RBI had granted in-principle approvals to 10 Small Finance Banks in September 2015 pursuant to which, five Small Finance Banks, Capital Small Finance Bank Limited, Suryoday Small Finance Bank Limited, Equitas Small Finance Bank Limited, Utkarsh Small Finance Bank Limited and Ujjivan Small Finance Bank Limited, have already commenced operations. Further, the RBI issued guidelines for universal banking licenses in August 2016, which can be applied for at any time. In accordance with these guidelines, resident individuals or professionals who are resident Indian and have 10 years of experience in banking and finance at a senior level and existing NBFCs that are controlled by resident Indians and have a successful track record of at least 10 years may apply for the license. Further, entities or groups in the private sector that are owned and controlled by resident Indians are also eligible promoters provided that they have a successful track record of at least 10 years and if such entity or group has total assets of ₹ 5,000 crore or more, the non-financial business of the group does not account for 40.00% or more in terms of total assets or gross income.

Any increase in operations of existing competitors or entry of additional banks offering similar or a wider range of products and services could increase competition. In addition, any moderation of growth in the Indian banking sector is expected to lead to greater competition for business opportunities. The GoI is also actively encouraging banks and other financial institutions to significantly increase their lending to the agricultural and other priority sectors, which will make those segments more competitive. These competitive pressures affect the Indian and international banking industry as a whole, including us, and our future success will depend largely on our ability to respond in an effective and timely manner to these competitive pressures.

Customer relationships

The key drivers of our revenues across our various business segments, including our corporate and retail banking businesses are the number and quality of customer relationships, as well as the range of products and services we provide to each customer. The number of customers we serve depends on the success of our relationships, the reach and strength of our distribution network, and the demand for, and competitiveness of, our products and services. For our corporate banking business, revenues are driven primarily by the number, as well as quality, of our corporate customers, and our ability to grow our share of customers' business by providing innovative business solutions and efficient execution. If we are not successful in developing new customer relationships, or retaining existing customer relationships, our earnings may be adversely affected.

Implementation of Ind-AS

The MCA, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind-AS converged with IFRS for SCBs, insurers, insurance companies and NBFCs. This roadmap requires these institutions to prepare Ind-AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparative figures for the period ending March 31, 2018. The RBI, by its circular dated February 11, 2016, requires all SCBs to comply with Ind-AS for financial statements for the periods stated above. The RBI does not permit banks to adopt Ind-AS earlier than the prescribed timeline and the guidelines also state that the RBI shall issue necessary instructions, guidance, and clarifications on the relevant aspects for implementation of the Ind-AS, as and when required.

The Bank has commenced the process of Ind-AS implementation from Fiscal 2017. A steering committee of the Bank monitors the progress of the implementation. The Bank has undertaken a study to identify the differences between the current accounting framework and Ind-AS. Based on this study, the Bank has quantified the impact and has filed the pro-forma financial statements for the half-year ended September 30, 2016 with the RBI. The Bank is assessing the changes, wherever required, in the core banking system. Ind-AS is expected to affect, among other matters, the manner of estimating allowances for expected loan losses and classifying and valuing our investment portfolio as well as our revenue recognition policy. For example, under Ind-AS, the manner of calculating impairment allowance on loans and advances is required to be calculated by an "expected credit loss" model based on the assessment of credit risk/impairment. The Bank has commenced the formulation of the expected credit loss models as well as the preparation of the opening balance sheet for the Ind-AS transition.

The extent of the possible impact of Ind-AS on our financial reporting may, however, still be uncertain. Further, there can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under Ind-AS than under Indian GAAP. In our transition to Ind-AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. There can be no assurance that our adoption of Ind-AS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt Ind-AS could adversely affect our business, financial condition and results of operations.

Also see "***Risk Factors—The effects of the planned convergence with IFRS and adoption of Ind-AS are uncertain and any failure to successfully adopt Ind-AS could adversely affect our business and the trading price of the Equity Shares***" on page 72.

Principal Components of Statement of Profit and Loss

Interest earned

Our interest earned includes interest income earned on loans and advances made to our customers and interest earned on bills, income from investments, interest on reverse repo lending and other interbank funds and other interest income. Income from investments consists of interest on securities and other investments. Our securities portfolio consists primarily of government securities, and to a lesser extent debentures and bonds, equity shares, mutual fund units, certificates of deposit, commercial paper, security receipts and pass through certificates. On the balances that we maintain with the RBI to meet our cash reserve requirements, we do not receive any interest.

Interest expended

Our interest expended includes interest on deposits, interest on RBI and inter-bank borrowings and other interest such as interest on subordinated debt, debentures, commercial paper, call money borrowings and other borrowings from mutual funds and other financial institutions.

Other income

Our non-interest income principally includes: (i) commission, exchange and brokerage, which comprises, among others, service charges, processing fees and documentation charges, ATM and kiosk charges, commissions from inland and foreign letters of credit and guarantees, incidental charges on deposit accounts, inter sol service charges and income from our insurance business, (ii) profit/loss on the sale of land, buildings and other assets, (iii) profit/loss from sale of investments, (iv) profit/loss on exchange transactions (including derivatives), (v) income earned by way of dividends from Subsidiaries, Associates and our Joint Venture within and outside India, and (vi) miscellaneous income.

Operating expenses

Our operating expenses principally include: (i) payments to and provision for employees, (ii) expenses towards rent, taxes and lighting, (iii) expenses towards printing and stationery, advertisement and publicity, (iv) depreciation on bank's property, (v) directors' fees, allowances and expenses, (vi) auditors' fees and expenses (including statutory auditor of subsidiaries, branch auditors' fees and expenses), (vii) legal charges, (viii) postage, telegrams, and telephones, (ix) repairs and maintenance, (x) insurance and (xi) other expenditure.

Provisions and contingencies

Our provisions and contingencies include: (i) provisions for depreciation on investment, (ii) provisions towards NPAs, (iii) floating provisions for NPAs (over and above the applicable RBI provisioning norms), which are used for meeting the shortfall on the sale of NPAs when such a sale is at a price below the net book value ("**NBV**"), (iv) provisions towards standard assets (i.e. general provisions made for non-NPAs, as per extant RBI guidelines), (v) provisions made towards income tax (including fringe benefit tax ("**FBT**") and wealth tax) and (vi) other provisions and contingencies.

Summary of Results of Operations

Set forth below is the Bank's standalone statement of profit and loss during the six month period ended September 30, 2017 and 2016, and our statement of profit and loss during Fiscals 2017, 2016 and 2015 as per our consolidated financial statements for Fiscals 2017 and 2016.

	The Bank				**The Group**					
	Six month period ended September 30,				**Fiscal**					
	2017		**2016**		**2017**		**2016**		**2015**	
	(₹ crore)	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*
Interest earned	**24,435.66**	**85.22**	**23,405.30**	**86.32**	**48,058.08**	**83.98**	**50,803.87**	**89.28**	**48,709.82**	**88.75**
- Interest/discount on Advances/Bills	16,203.00	56.51	16,977.14	62.61	33,701.40	58.89	37,287.86	65.53	36,717.90	66.90
- Income on Investments	6,930.62	24.17	5,694.52	21.00	12,605.32	22.03	12,539.80	22.04	11,045.10	20.12
- Interest on balances with RBI and other inter-banks funds	1,173.86	4.09	488.87	1.80	1,365.67	2.39	740.50	1.30	605.33	1.10
- Others	128.17	0.45	244.77	0.90	385.69	0.67	235.71	0.41	341.49	0.62
Other income	**4,237.79**	**14.78**	**3,708.75**	**13.68**	**9,167.58**	**12.07**	**6,099.63**	**10.72**	**6,174.60**	**11.25**
- Commission, Exchange and Brokerage	1,516.05	5.29	1,333.86	4.92	3,242.59	5.67	2,802.88	4.93	2,758.63	5.03
- Profit on sale of land, buildings and other assets	1.31	0.00	3.30	0.01	5.45	0.01	2.38	-	3.07	0.01
- Profit on Exchange Transaction	341.14	1.19	291.61	1.08	605.57	1.06	454.96	0.80	514.72	0.94
- Profit on sale of Investments	1,503.09	5.24	1,217.62	4.49	2,819.40	4.93	991.03	1.74	1,122.79	2.05
- Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures in India and abroad.	115.69	0.40	74.92	0.28	-	-	-	-		

	The Bank						The Group			
	Six month period ended September 30,						Fiscal			
	2017		2016		2017		2016		2015	
	(₹ crore)	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*
- Miscellaneous Income	760.51	2.65	787.45	2.90	2,494.57	4.36	1,848.38	3.25	1,775.39	3.23
Total Income	**28,673.45**	**100.00**	**27,114.05**	**100.00**	**57,225.66**	**100.00**	**56,903.50**	**100.00**	**54,884.42**	**100.00**
Interest expended	**16,565.34**	**57.77**	**15,826.45**	**58.37**	**32,722.31**	**57.18**	**34,330.59**	**60.33**	**31,343.05**	**57.11**
- Interest on Deposits	15,260.77	53.22	14,608.21	53.88	30,138.50	52.67	30,598.18	53.77	28,115.08	51.23
- Interest on RBI/inter-bank borrowings	252.30	0.88	146.91	0.54	290.75	0.51	1,372.01	2.41	1,391.76	2.54
- Others	1,052.28	3.67	1,071.34	3.95	2,293.06	4.01	2,360.40	4.15	1,836.21	3.35
Operating expenses	**5,611.72**	**19.57**	**5,735.15**	**21.15**	**9,523.55**	**16.64**	**10,349.88**	**18.19**	**10,808.99**	**19.69**
- Payment to and provisions for employees	3,527.25	12.30	3,866.95	14.26	5,482.33	9.58	6,564.49	11.54	7,469.12	13.61
- Rent, Taxes and Lighting	355.84	1.24	333.73	1.23	702.25	1.23	655.06	1.15	575.75	1.05
- Printing and Stationery	41.04	0.14	40.94	0.15	97.54	0.17	88.97	0.16	84.19	0.15
- Advertisement and Publicity	19.25	0.07	23.37	0.09	55.93	0.10	78.94	0.14	48.76	0.09
- Depreciation on bank's property	282.00	0.98	200.78	0.74	430.44	0.75	413.15	0.73	383.99	0.70
- Directors' Fees, allowances and expenses	0.78	0.00	0.75	0.00	1.75	-	1.94	-	1.52	0.00
- Auditors' fees and expenses (including statutory auditor of subsidiaries, branch auditors' fees and expenses)	22.76	0.08	33.65	0.12	71.12	0.12	71.38	0.13	55.11	0.10
- Law charges	34.81	0.12	33.67	0.12	91.01	0.16	96.32	0.17	64.59	0.12
- Postage, Telegrams, Telephones, etc.	80.60	0.28	72.31	0.27	179.88	0.31	154.04	0.27	132.32	0.24
- Repairs and Maintenance	133.97	0.47	116.06	0.43	236.76	0.41	222.75	0.39	199.88	0.36
- Insurance	320.48	1.12	278.64	1.03	569.25	0.99	514.93	0.90	454.43	0.83
- Other expenditure	792.93	2.77	734.31	2.71	1,605.29	2.81	1,487.91	2.61	1,339.33	2.44
Provisions and Contingencies	**5,592.41**	**19.50**	**4,696.72**	**17.30**	**14,078.88**	**24.60**	**16,387.24**	**29.59**	**9,374.86**	**17.08**
- Provisions for depreciation on investment	325.66	1.14	148.97	0.55	486.85	0.85	350.24	0.62	(563.69)	(1.03)
- Provisions towards NPAs	5,253.49	18.32	4,803.79	17.72	13,578.59	23.73	18,800.68	33.04	8,262.05	15.05
- Floating provisions for NPAs (over and above RBI provisioning norms)	N.A.	N.A.	N.A.	N.A.	-	0.00	-	0.00	-	-
- Provisions towards Standard Assets	(137.83)	(0.48)	146.08	0.54	431.36	0.75	272.54	0.48	437.68	0.80
- Provisions made towards Income Tax (including FBT and Wealth Tax)	542.91	1.89	458.8	1.69	638.97	1.12	(1,629.85)	(1.11)	1,055.67	1.92

	The Bank				The Group					
	Six month period ended September 30,				Fiscal					
	2017		2016		2017		2016		2015	
	(₹ crore)	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*
- Other Provisions and contingencies	(391.82)	(1.37)	(860.92)	(3.18)	(1,056.89)	(1.85)	(956.37)	(1.68)	183.15	0.33
Total Expenditure	**27,769.46**	**96.85**	**26,258.33**	**96.84**	**56,324.53**	**98.43**	**60,566.77**	**106.44**	**51,543.00**	**93.91**
Net profit for the period	**903.98**	**3.15**	**855.72**	**3.16**	-	-	-	-	-	-
Consolidated Net Profit for the year of the parent and subsidiaries before minority interest	-	-	-	-	**901.13**	**1.57**	**(3,663.27)**	**(6.44)**	**3,341.41**	**6.09**
Less: Minority interest	-	-	-	-	51.98	0.09	179.69	0.32	125.84	0.23
Consolidated Net Profit for the year of the parent and subsidiaries after minority interest	-	-	-	-	849.15	1.48	(3,842.96)	(6.75)	3,215.57	5.86
Share of earnings in Associates (net)	-	-	-	-	338.09	0.59	153.19	0.27	184.02	0.34
Consolidated Net Profit for the year attributable to the group	-	-	-	-	1,187.24	2.07	(3,689.77)	(6.48)	3,399.59	6.19
Brought forward consolidated profit attributable to the group	-	-	-	-	694.54	1.21	846.68	1.49	647.70	1.18
Transferred from Capital Reserve	-	-	-	-	-	-	-	-	-	-
Profit Available for Appropriation	-	-	-	-	**1,881.78**	**3.29**	**(2,843.09)**	**(5.00)**	**4,047.29**	**7.37**

Segment Information

Our business operations are broadly categorized into four segments: corporate/wholesale banking, retail banking, treasury and other banking operations. The table below sets forth the profit before tax attributable to the Bank's standalone reportable segments during the six month period ended September 30, 2017 and the profit before tax attributable to our consolidated reportable segments during Fiscals 2017, 2016 and 2015.

(₹ crore)

Particulars	Six month period ended September 30, 2017	Fiscal		
		2017	2016*	2015
Corporate/Wholesale	(2,135.23)	(5,197.04)	(11,379.62)	(896.03)
Retail	1,818.93	3,577.33	4,118.50	4,606.27
Treasury	2,803.66	4,690.76	3,023.37	1,722.58
Other banking operations#	165.10	305.77	233.34	147.07

** The figures that relate to Fiscal 2016 have been regrouped. See "—**Basis of Presentation**" and "—**Summary of changes to classification**" on pages 86 and 132, respectively.*

Other banking operations comprise foreign exchange operations.

Our business operations can also be categorized into geographic segments. The table below sets forth the revenue and assets attributable to the Bank's domestic and international operations as at and for the six month periods ended September 30, 2017 and the years ended March 31, 2017, 2016 and 2015.

Particulars	The Bank			
	As at and for the six month period ended September 30, 2017	As at and for the years ended March 31,		
		2017	2016*	2015
Revenue				
Domestic	27,740.12	54,644.87	52,012.09	50,865.34
International	933.33	1,582.49	1,412.31	1,340.75
Total	**28,673.45**	**56,227.36**	**53,424.40**	**52,206.09**
Assets				
Domestic	6,45,014.99	6,35,037.55	5,72,328.61	5,23,447.59
International	87,100.54	85,293.00	95,061.84	79,886.01
Total	**7,32,115.53**	**7,20,330.55**	**6,67,390.45**	**6,03,333.60**

** Figures that relate to Fiscal 2016 have been re-grouped. See "—**Basis of Presentation**" and "—**Summary of changes to classification**" on pages 86 and 132, respectively.*
Segment liabilities are distributed in the ratio of their respective segment assets.

The Bank's financial performance during the six month period ended September 30, 2017 compared to its performance during the six month period ended September 30, 2016

Total income

The Bank's total income increased by 5.75% to ₹ 28,673.45 crore during the six month period ended September 30, 2017 from ₹ 27,114.05 crore during the six month period ended September 30, 2016 primarily as a result of an increase in the Bank's non-interest income and interest income on investment.

Net interest income

The Bank's NII increased by 3.85% to ₹ 7,870.32 crore during the six month period ended September 30, 2017 from ₹ 7,578.84 crore during the six month period ended September 30, 2016. The table below sets out the components of the Bank's NII.

	The Bank			
	Six month period ended September 30,			
	2017		2016	
	(₹ crore)	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*
Interest earned				
- Interest/discount on advances/bills	16,203.00	56.51	16,977.14	62.61
- Income on investments	6,930.62	24.17	5,694.52	21.00
- Interest on balances with RBI and other inter-banks funds	1,173.86	4.09	488.87	1.80
- Others	128.17	0.45	244.77	0.90
Total interest income	**24,435.66**	**85.22**	**23,405.30**	**86.32**
Interest expended				
- Interest on deposits	15,260.77	53.22	14,608.21	53.88
- Interest on RBI / inter-bank borrowings	252.30	0.88	146.91	0.54
- Others	1,052.28	3.67	1,071.34	3.95
Total interest expended	**16,565.34**	**57.77**	**15,826.45**	**58.37**
Net interest income	**7,870.32**	**-**	**7,578.84**	**-**

Total interest income

The Bank's total interest income increased by 4.40% to ₹ 24,435.66 crore during the six month period ended September 30, 2017 from ₹ 23,405.30 crore during the six month period ended September 30, 2016 primarily on account of an increase in income on investment and interest on balances with RBI and other inter-banks funds, which was offset in part by a decline in interest/discount income on advances/bills.

Income on investments

The Bank's income on investments increased by 21.71% to ₹ 6,930.62 crore during the six month period ended September 30, 2017 from ₹ 5,694.52 crore during the six month period ended September 30, 2016 primarily as a result of an increase in the average balance of interest-earning investments of the Bank to ₹ 1,86,779.00 crore during the six month period ended September 30, 2017 from ₹ 1,44,592.45 crore during the six month period ended September 30, 2016, which was partially off-set by a marginal decline in yield on investments to 7.42% during the six month period ended September 30, 2017 from 7.88% during the six month period ended September 30, 2016, reflecting the decreasing interest rate environment in India.

Interest on balances with RBI and other inter-banks funds

The Bank's income from interest on balances with RBI and other inter-banks fund increased by 140.12% to ₹ 1,173.86 crore during the six month period ended September 30, 2017 from ₹ 488.87 crore during the six month period ended September 30, 2016 primarily as a result of an increase in reverse repo balances with RBI and other interbank balances. The Bank's deposit base increased rapidly during demonetization, during which period we were not able to fully deploy our deposits as quickly as they came in, resulting in a period of higher repo lending.

Interest/discount on advances/bills

The Bank's income from interest/discount on advances/bills decreased by 4.56% to ₹ 16,203.00 crore during the six month period ended September 30, 2017 from ₹ 16,977.14 crore during the six month period ended September 30, 2016 primarily as a result of a decline in interest rate. This decrease was further sustained by a decrease in average yield of the Bank's advances to 7.92% during the six month period ended September 30, 2017 from 8.54% during the six month period ended September 30, 2016, reflecting the decreasing interest rate environment in India in line with reduced RBI policy rates. NIMs also decreased to 2.32% during the six month period ended September 30, 2017 from 2.48% during the six month period ended September 30, 2016, reflecting a relatively marginal decrease in the Bank's average cost of funds to 5.04% during the six month period ended September 30, 2017 from 5.32% during the six month period ended September 30, 2016.

Others (Interest earned)

The Bank's other interest earned decreased by 47.64% to ₹ 128.17 crore during the six month period ended September 30, 2017 from ₹ 244.77 crore during the six month period ended September 30, 2016 primarily as a result of a decrease in interest on income tax refund and interest on call and short term lending.

Total interest expended

The Bank's total interest expended increased by 4.67% to ₹ 16,565.34 crore during the six month period ended September 30, 2017 from ₹ 15,826.45 crore during the six month period ended September 30, 2016 primarily on account of an increase in interest on deposits and the interest payments on reverse repo balances with the RBI and other inter-bank borrowings, which was offset partially by a marginal decrease in other interest expended.

Interest on deposits

The Bank's interest payments on deposits increased by 4.47% to ₹ 15,260.77 crore during the six month period ended September 30, 2017 from ₹ 14,608.21 crore during the six month period ended September 30, 2016 primarily as a result of an increase by 11.88% in average deposits at the Bank to ₹ 6,03,885.06 crore during the six month period ended September 30, 2017 from ₹ 5,39,739.00 crore during the six month period ended September 30, 2016, primarily due to the effects of demonetization.

Interest on RBI/inter-bank borrowings

The Bank's interest payments on RBI/inter-bank borrowings increased by 71.74% to ₹ 252.30 crore during the six month period ended September 30, 2017 from ₹ 146.91 crore during the six month period ended September 30, 2016 primarily as a result of an increase in average cost of other borrowings by 23 bps to 2.78% during the six month period ended September 30, 2017 from 2.55% during the six month period ended September 30, 2016.

Others (interest expended)

The Bank's other interest expended decreased by 1.78% to ₹ 1,052.28 crore during the six month period ended September 30, 2017 from ₹ 1,071.34 crore during the six month period ended September 30, 2016 primarily as a result of a decrease in borrowings by way of debentures and bonds and commercial paper as the Bank's deposit base increased rapidly during and after the demonetization exercise undertaken by the GoI.

Other income

The table below sets forth the components of the Bank's other income.

Other Income	The Bank			
	Six month period ended September 30,			
	2017		2016	
	(₹ crore)	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*
Commission, exchange and brokerage	1,516.05	5.29	1,333.86	4.92
Profit on sale of land, buildings and other assets	1.31	0.00	3.30	0.01
Profit on exchange transaction	341.14	1.19	291.61	1.08
Profit on sale of investments	1,503.09	5.24	1,217.62	4.49
Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures in India and abroad	115.69	0.40	74.92	0.28
Miscellaneous income	760.51	2.65	787.45	2.90
Total other income	**4,237.79**	**14.78**	**3,708.75**	**13.68**

Our total other income increased by 14.26% to ₹ 4,237.79 crore during the six month period ended September 30, 2017 from ₹ 3,708.75 crore during the six month period ended September 30, 2016, primarily as a result of an increase in income from commission, exchange and brokerage, profit on sale of investments and profit on exchange transactions.

Commission, exchange and brokerage

The Bank's income from commission, exchange and brokerage increased by 13.66% to ₹ 1,516.05 crore during the six month period ended September 30, 2017 from ₹ 1,333.86 crore during the six month period ended September 30, 2016. The Bank's increase in income from commission, exchange and brokerage was primarily a result of an increase in income from processing fees, letters of credit and letters of guarantee, which was in turn a result of the Bank's increased focus during the six month period ended September 30, 2017 on increasing its fee income.

Profit on sale of investments

The Bank's profit on sale of investments increased by 23.44% to ₹ 1,503.09 crore during the six month period ended September 30, 2017 from ₹ 1,217.62 crore during the six month period ended September 30, 2016 primarily as a result of favorable market conditions during the six month period ended September 30, 2017 compared to that during the six month period ended September 30, 2016.

Profit on exchange transaction

The Bank's profit on exchange transactions increased by 16.99% to ₹ 341.14 crore during the six month period ended September 30, 2017 from ₹ 291.61 crore during the six month period ended September 30, 2016 primarily as a result of our favorable trading position in forward contracts and other contracts in the market during the six month period ended September 30, 2017 compared to our position in such contracts during the six month period ended September 30, 2016.

Miscellaneous income

The Bank's miscellaneous income decreased by 3.42% to ₹ 760.51 crore during the six month period ended September 30, 2017 from ₹ 787.45 crore during the six month period ended September 30, 2016 primarily as a result of a decrease in recovery of written off accounts.

Profit on sale of land, buildings and other assets

The Bank's profit on sale of land, buildings and other assets decreased by 60.15% to ₹ 1.31 crore during the six month period ended September 30, 2017 from ₹ 3.30 crore during the six month period ended September 30, 2016 primarily as a result of a decrease in the profit from the sale of certain used furniture and computers during the six month period ended September 30, 2017 compared to that during the six month period ended September 30, 2016.

Operating expenses

Payment to and provisions for employees

The Bank's payment to and provisions for employees decreased by 8.78% to ₹ 3,527.25 crore during the six month period ended September 30, 2017 from ₹ 3,866.95 crore during the six month period ended September 30, 2016 primarily as a result of a decrease in provision figures under AS 15 - "Employee Benefits" issued by the ICAI, during Fiscal 2017 pursuant to which, while considering the fair value of planned assets relating to pension and gratuity fund being long term benefits of employees, the interest accrued on investments were also taken into account, as against only the principal amount which was taken into account in earlier years.

Rent, taxes and lighting

The Bank's expenses for rent, taxes and lighting increased by 6.63% to ₹ 355.84 crore during the six month period ended September 30, 2017 from ₹ 333.73 crore during the six month period ended September 30, 2016 primarily as a result of an increase in rent paid for office premises.

Other operating expenses

The Bank's other operating expenses incurred towards printing and stationery, advertisement and publicity, depreciation on bank's property, directors' fees, allowances and expenses, auditors' fees and expenses (including statutory auditor of subsidiaries, branch auditors' fees and expenses), law charges, postage, telegrams, telephones, etc., repairs and maintenance, insurance and other expenditure increased by 12.65% to ₹ 1,728.63 crore during the six month period ended September 30, 2017 from ₹ 1,534.48 crore during the six month period ended September 30, 2016 in proportion to the increase in the Bank's business.

Provisions for depreciation on investment

The Bank's provisions for depreciation on investment increased by 118.61% to ₹ 325.66 crore during the six month period ended September 30, 2017 from ₹ 148.97 crore during the six month period ended September 30, 2016 primarily as a result of a reclassification of securities from 'available for sale' to 'held to maturity'.

Provisions towards NPAs

The Bank's provisions towards NPAs increased by 9.36% to ₹ 5,253.49 crore during the six month period ended September 30, 2017 from ₹ 4,803.79 crore during the six month period ended September 30, 2016 primarily as a result of an increase in the applicable regulatory requirements to create provisions in respect of NPAs.

Provisions towards Standard Assets

The Bank's provisions towards standard assets decreased by 194.35% to ₹(137.83) crore during the six month period ended September 30, 2017 from ₹146.08 crore during the six month period ended September 30, 2016 primarily as a result of a decrease in provisions made for standard restructured accounts.

Provisions made towards income tax (including FBT and Wealth Tax)

The Bank's provisions made towards income tax increased by 18.33% to ₹542.91 crore during the six month period ended September 30, 2017 from ₹458.8 crore during the six month period ended September 30, 2016 primarily as a result of increased profit.

Other provisions and contingencies

The Bank's other provisions and contingencies decreased by 54.49% to ₹ (391.81) crore during the six month period ended September 30, 2017 from ₹ (860.92) crore during the six month period ended September 30, 2016 primarily as a result of a decrease in provisions for diminution in fair value of standard restructured advances.

Net Profit

As a result of the above, the Bank incurred a profit of ₹ 903.98 crore during the six month period ended September 30, 2017 as compared to a profit of ₹ 855.72 crore during the six month period ended September 30, 2016.

Consolidated Results of Operations during Fiscal 2017 compared to Fiscal 2016

Total income

Our total income increased by 0.57% to ₹ 57,225.66 crore during Fiscal 2017 from ₹ 56,903.50 crore during Fiscal 2016 primarily as a result of an increase in our NII.

Net interest income

Our NII decreased by 6.91% to ₹ 15,335.77 crore during Fiscal 2017 from ₹ 16,473.28 crore during Fiscal 2016. The table below sets out the components of our NII.

Particulars	Fiscal 2017	Fiscal 2016	% change
	(₹ crore, except percentages)		
Interest earned			
Interest/discount on Advances/Bills	33,701.40	37,287.86	(9.62)
Income on Investments	12,605.32	12,539.80	0.52
Interest on balances with RBI and other inter-banks funds	1,365.67	740.50	84.43
Others	385.69	235.71	63.63
Total interest income	**48,058.08**	**50,803.87**	**(5.40)**
Interest expended			
Interest on Deposits	30,138.50	30,598.18	(1.50)
Interest on RBI/inter-bank borrowings	290.75	1,372.01	(78.81)
Others	2,293.06	2,360.40	(2.85)
Total interest expended	**32,722.31**	**34,330.59**	**(4.68)**
Net interest income	**15,335.77**	**16,473.28**	**(6.91)**

Total interest income

Our total interest income or interest earned decreased by 5.40% to ₹ 48,058.08 crore during Fiscal 2017 from ₹ 50,803.87 crore during Fiscal 2016. This decrease was attributable to a decrease in the interest earned on advances and bills, which was partially offset by a marginal increase in income earned on investments and by an increase in interest on balances with the RBI and other inter-bank funds.

Interest/discount on advances/ bills

The interest earned on advances and bills decreased by 9.62% to ₹ 33,701.40 crore during Fiscal 2017 from ₹ 37,287.86 crore during Fiscal 2016, primarily resulting from a decrease in our amount of advances during this period. The portfolio of advances decreased by 4.90% to ₹ 4,24,230.49 crore as at March 31, 2017 from ₹ 4,46,083.00 crore as at March 31, 2016, with a decrease of 20.32% in term loans from ₹ 1,82,277.57 crore as at March 31, 2016 to ₹ 1,45,237.86 crore as at March 31, 2017 which reflected a general decline in extension of credit during this period. This decrease was further sustained by a decrease in average yield of the Bank's advances to 8.29% during Fiscal 2017 from 9.10% during Fiscal 2016, reflecting the decreasing interest rate environment in India in line with reduced RBI policy rates. NIMs also decreased to 2.38% during Fiscal 2017 from 2.60% during Fiscal 2016, reflecting a relatively marginal decrease in the Bank's average cost of funds to 5.24% during Fiscal 2017 from 5.64% during Fiscal 2016.

Income on investments

The income earned on investments increased by 0.52% to ₹ 12,605.32 crore during Fiscal 2017 from ₹ 12,539.80 crore during Fiscal 2016, attributable in part to an increase in the investment portfolio to ₹ 1,91,527.16 crore as at March 31, 2017 from ₹ 1,65,126.48 crore as at March 31, 2016. The average balance of interest-earning investments of the Bank increased to ₹ 1,63,637.53 crore during Fiscal 2017 from ₹ 1,51,503.89 crore during Fiscal 2016, which was partially off-set by a marginal decline in yield on investments to 7.69% during Fiscal 2017 from 7.94% during Fiscal 2016, reflecting the decreasing interest rate environment in India.

Interest on balances with RBI and other inter-banks funds

The interest on balances with the RBI and other inter-bank funds increased by 84.43% to ₹ 1,365.67 crore during Fiscal 2017 from ₹ 740.50 crore during Fiscal 2016, primarily as a result of an increase in reverse repo with RBI and other interbank balances. The Bank's deposit base increased rapidly during demonetization, during which period we were not able to fully deploy our deposits as quickly as they came in, resulting in a period of higher repo lending.

Others (Interest earned)

Our other interest earned increased by 79.68% to ₹ 385.69 crore during Fiscal 2017 from ₹ 214.65 crore during Fiscal 2016, primarily as a result of an increase in interest on income tax refunds.

Total interest expended

Our interest expended decreased by 4.68% to ₹ 32,722.31 crore during Fiscal 2017 from ₹ 34,330.59 crore during Fiscal 2016, primarily due to a decrease in the interest payments on RBI/inter-bank borrowings.

Interest on RBI/inter-bank borrowings

Interest paid on RBI/inter-bank borrowings decreased by 78.81% to ₹ 290.75 crore during Fiscal 2017 from ₹ 1,372.01 crore during Fiscal 2016, primarily due to a reduction in average balance of borrowings of the Bank to ₹ 53,980.00 crore during Fiscal 2017 from ₹ 59,505.00 crore during Fiscal 2016, which was a result of an increase the Bank's deposit base as a result of the demonetization exercise of the GoI.

Interest on deposits

Our interest expense on deposits decreased by 1.50% to ₹ 30,138.50 crore during Fiscal 2017 from ₹ 30,598.18 crore during Fiscal 2016. Our deposits increased by 10.39% to ₹ 6,29,650.86 crore as at March 31, 2017 from ₹ 5,70,382.64 crore as at March 31, 2016, due to a 23.45% increase in demand deposits to ₹ 46,913.92 crore as at March 31, 2017 from ₹ 38,002.81 crore as at March 31, 2016, a 26.23% increase in savings bank deposits to ₹ 2,15,405.64 crore as at March 31, 2017 from ₹ 1,70,646.35 crore as at March 31, 2016, and a 1.55% increase in term deposits to ₹ 3,67,331.30 crore as at March 31, 2017 from ₹ 3,61,733.48 crore as at March 31, 2016. The Bank's average deposits increased by 10.13% to ₹ 5,61,543.00 crore during Fiscal 2017 from ₹ 5,09,869.00 crore during Fiscal 2016 as a result of demonetization. Although our deposits have increased, our interest paid on deposits has decreased as a result of a decline in the cost of deposits, which have decreased to 5.33% during Fiscal 2017 from 5.85% during Fiscal 2016.

Other Income

Particulars	Fiscal 2017	Fiscal 2016	% change
	(₹ crore, except percentages)		
Commission, exchange and brokerage	3,242.59	2,802.88	15.69
Profit on sale of land, buildings and other assets	5.45	2.38	128.99
Profit on exchange transaction	605.57	454.96	33.10
Profit on sale of investments	2,819.40	991.03	184.49
Miscellaneous income	2,494.57	1,848.38	34.96
Total other income	**9,167.58**	**6,099.63**	**50.30**

Our other income increased by 50.30% to ₹ 9,167.58 crore during Fiscal 2017 from ₹ 6,099.63 crore during Fiscal 2016, primarily as a result of an increase in profit on sale of investments, commission, exchange and brokerage, profit on exchange transactions and miscellaneous income.

Profit on sale of investments

Our profit on sale of investments increased by 184.49% to ₹ 2,819.40 crore during Fiscal 2017 from ₹ 991.03 crore during Fiscal 2016 on account of an increase in our investment portfolio to ₹1,91,527.16 crore as at March 31, 2017 from ₹ 1,65,126.48 crore as at March 31, 2016 and profits from sale of government securities as well as bonds and equity instruments, among others.

Commission, exchange and brokerage

Our income from commission, exchange and brokerage increased by 15.69% to ₹ 3,242.59 crore during Fiscal 2017 from ₹ 2,802.88 crore during Fiscal 2016, primarily as a result of an increase in income from ATM and kiosk charges, and service, processing and documentation charges on advances and guarantees, among others, which was in turn a result of our increased focus during this period on increasing our fee income.

Profit on exchange transaction

Our profit on exchange transaction increased by 33.10% from ₹ 454.96 crore during Fiscal 2016 to ₹ 605.57 crore during Fiscal 2017, primarily as a result of our favorable trading position in forward contracts and other contracts in the market during Fiscal 2017.

Miscellaneous income

Our miscellaneous income also increased by 34.96% to ₹ 2,494.57 crore during Fiscal 2017 compared to ₹ 1,848.38 crore during Fiscal 2016, primarily as a result of realization of certain of our written-off accounts.

Profit on sale of land, buildings and other assets

Our profit on sale of land, buildings and other assets increased by 128.99% to ₹ 5.45 crore during Fiscal 2017 from ₹ 2.38 crore during Fiscal 2016 primarily as a result of an increase in the profit from the sale of certain used furniture and computers during Fiscal 2017 compared to that during Fiscal 2016.

Operating expenses

The table below sets forth details in relation to our operating expenses during Fiscals 2017 and 2016.

Operating Expenses	Fiscal 2017	Fiscal 2016	% change
	(₹ crore, except percentages)		
Payment to and provisions for employees	5,482.33	6,564.49	(16.49)
Rent, taxes and lighting	702.25	655.06	7.20
Printing and stationery	97.54	88.97	9.63
Advertisement and publicity	55.93	78.94	(29.15)
Depreciation on bank's property	430.44	413.15	4.18
Directors' fees, allowances and expenses	1.75	1.94	(9.79)

Auditors' fees and expenses (including statutory auditor of subsidiaries, branch auditors' fees and expenses)	71.12	71.38	(0.36)
Law charges	91.01	96.32	(5.51)
Postage, telegrams, telephones, etc.	179.88	154.04	(16.77)
Repairs and maintenance	236.76	222.75	6.29
Insurance	569.25	514.93	10.55
Other expenditure	1,605.29	1,487.91	7.89
Total operating expenses	**9,523.55**	**10,349.88**	**(7.98)**

Operating expenses decreased by 7.98% to ₹ 9,523.55 crore during Fiscal 2017 from ₹ 10,349.88 crore during Fiscal 2016 primarily as a result of a decrease in payment to and provisions for employees, which was partially offset by an increase in expenses towards rent, taxes and lighting and insurance during this period.

Payment to and provisions for employees

Our payments to and provisions for employees decreased by 16.49% to ₹ 5,482.33 crore during Fiscal 2017 from ₹ 6,564.49 crore during Fiscal 2016 primarily as a result of fair value of planned assets relating to our pension and gratuity fund for our employees' long term benefits and interest accrued on investments being taken into account as against principal amounts in earlier years. As a result of this, employer contribution to pension and gratuity funds representing excess of fair value of planned assets over present value of obligation has been reclassified as part of "Payments to and provisions for employees - employee cost" during Fiscal 2017.

Rent, Taxes and Lighting

Our expenses towards rent, taxes and lighting increased by 7.20% to ₹ 702.25 crore during Fiscal 2017 from ₹ 655.06 crore during Fiscal 2016 primarily as a result of an increase in lease rental of our branches and offices as well as an increase in our number of branches.

Other operating expenses

Our advertisement and publicity expense decreased by 29.15% to ₹ 55.93 crore during Fiscal 2017 from ₹ 78.94 crore during Fiscal 2016 as a result of the inclusion of publicity expenses incurred by one of our Subsidiaries during Fiscal 2016, which subsequently became our Associate during Fiscal 2017. Our insurance expenses increased by 10.55% to ₹ 569.25 crore during Fiscal 2017 from ₹ 514.93 crore during Fiscal 2016 as a result of an increase in our deposits, which resulted in an increase in premiums paid and payable to the Deposit Insurance and Credit Guarantee Corporation (the "**DICGC**"). Other expenditure incurred increased to ₹ 1,605.29 crore during Fiscal 2017 from ₹ 1,487.91 crore during Fiscal 2016 as a result of ATM and kiosk charges and outsourcing of financial services.

Provisions and Contingencies

The table below sets forth details in relation to our provisions and contingencies during Fiscals 2017 and 2016.

Provisions and Contingencies	**The Group**			
	Fiscal 2017		**Fiscal 2016**	
	(₹ crore)	*% Total Income*	*(₹ crore)*	*% Total Income*
Provisions for depreciation on investment	486.85	0.85	350.24	0.62
Provisions towards NPAs	13,578.59	23.73	18,800.68	33.04
Floating provisions for NPAs (over and above RBI provisioning norms)	-	0.00	-	0.00
Provisions towards standard assets	431.36	0.75	272.54	0.48
Provisions made towards income tax (including FBT and wealth tax)	638.97	1.12	(1,629.85)	(1.11)
Other provisions and contingencies	(1,056.89)	(1.85)	(956.37)	(1.68)
Provisions and contingencies	**14,078.88**	**24.60**	**16,837.24**	**29.59**

**Our consolidated financial statements for Fiscals 2017 and 2016 state different figures for these line items during Fiscal 2016. This was primarily due to certain issues relating to creation of additional provisions for certain NPA accounts as part of an asset quality review conducted by the RBI led to an increase in provisioning for NPAs between Fiscals 2016 and 2017.*

Provisions for depreciation on investment

Our provisions for depreciation on investment increased by 39.00% to ₹ 486.85 crore during Fiscal 2017 from ₹ 350.24 crore during Fiscal 2016 primarily as a result of mark to market valuation on "Available for Sale" ("**AFS**") and "Held for Trading" ("**HFT**") investments.

Provisions towards NPAs

Our provisions towards NPAs decreased by 27.78% to ₹ 13,578.59 crore during Fiscal 2017 from ₹ 18,800.68 crore during Fiscal 2016 primarily as a result of a relative decrease in the Bank's NPAs, in comparison the Bank's NPAs recorded in Fiscal 2016. The Bank's gross NPA ratio decreased to 12.53% as at March 31, 2017 from 12.90% as at March 31, 2016, while its net NPA ratio reduced to 7.81% as at March 31, 2017 from 8.61% as at March 31, 2016. The higher level of NPAs during Fiscal 2016 as compared to Fiscal 2017 was primarily due to the asset quality review conducted by the RBI, which resulted in an increase in provisioning requirements, during Fiscal 2016. For further details, see "***Selected Statistical Information***" on page 135.

Provisions towards Standard Assets

Our provisions towards Standard Assets increased by 58.27% to ₹ 431.36 crore during Fiscal 2017 from ₹ 272.54 crore during Fiscal 2016 primarily as a result of an increase in the standard assets of the Bank to ₹ 3,74,448.60 crore during Fiscal 2017 from ₹ 3,56,812.90 crore during Fiscal 2016.

Provisions made towards Income Tax (including FBT and Wealth Tax)

Our provisions made towards Income Tax (including FBT and Wealth Tax) increased by 139.20% to ₹ 638.97 crore during Fiscal 2017 from ₹ (1,629.85) crore during Fiscal 2016 as a result of a profit during Fiscal 2017 against the loss incurred during Fiscal 2016.

Net Profit

As a result of the above, our consolidated net profit increased to ₹ 1,187.24 crore during Fiscal 2017 from a loss of ₹ 3,689.77 crore during Fiscal 2016. In addition, our consolidated net profit also increased as a result of an increase in share of earnings in associates which increased by 120.70% to ₹ 338.09 crore during Fiscal 2017 from ₹ 153.19 crore during Fiscal 2016.

Our associate (prior to November 2016, a subsidiary), PNB Housing Finance Limited, contributed ₹ 204.67 crore to our net profit during Fiscal 2017 compared to ₹ 166.50 crore during Fiscal 2016, whereas our subsidiary, PNB Gilts Limited, contributed ₹ 123.83 crore to our net profit during Fiscal 2017 compared to ₹ 25.55 crore during Fiscal 2016. These contributions were partially offset by a loss of ₹ 612.47 crore incurred by our subsidiary in the U.K., PNB International Limited during Fiscal 2017 compared to a loss of ₹ 65.89 crore during Fiscal 2016.

Consolidated Results of Operations during Fiscal 2016 compared to Fiscal 2015

Total income

Our total income increased by 3.68% to ₹ 56,903.50 crore during Fiscal 2016 from ₹ 54,884.42 crore during Fiscal 2015 primarily as a result of an increase in our NII.

Net interest income

Our NII increased by 35.34% to ₹ 16,473.28 crore during Fiscal 2016 from ₹ 17,366.77 crore during Fiscal 2015. The table below sets out the components of our NII.

Particulars	Fiscal 2016	Fiscal 2015	% change
	(₹ crore, except percentages)		

Interest earned			
Interest/discount on advances/bills	37,287.86	36,717.90	1.55
Income on investments	12,539.80	11,045.10	13.53
Interest on balances with RBI and other inter-banks funds	740.50	605.33	22.33
Others	235.71	341.49	(30.98)
Total interest income	**50,803.87**	**48,709.82**	**4.30**
Interest expended			
Interest on deposits	30,598.18	28,115.08	8.83
Interest on RBI/inter-bank borrowings	1,372.01	1,391.76	(1.42)
Others	2,360.40	1,836.21	28.55
Total interest expended	**34,330.59**	**31,343.05**	**9.53**
Net interest income	**16,473.28**	**17,366.77**	**35.34**

Total interest income

Our total interest income or interest earned increased by 4.30% to ₹ 50,803.87 crore during Fiscal 2016 from ₹ 48,709.82 crore during Fiscal 2015. This increase was primarily attributable to an increase in income on investments and interest on advances/bills, which was partially offset by a decrease in other interest earned.

Income on investments

Our income earned on investments increased by 13.53% to ₹ 12,539.80 crore during Fiscal 2016 from ₹ 11,045.10 crore during Fiscal 2015, primarily due to an increase in the investment portfolio to ₹ 1,65,126.48 crore as at March 31, 2016 from ₹ 1,56,761.66 crore as at March 31, 2015. The Bank's average balance of interest-earning investments increased to ₹ 1,51,503.89 crore during Fiscal 2016 from ₹ 1,32,719.17 crore during Fiscal 2015 primarily due to increased allocation towards investments by us during this period, which was partially off-set by a marginal decline in yield on investments to 7.94% during Fiscal 2016 from 7.99% during Fiscal 2015, reflecting the decreasing interest rate environment in India.

Interest/discount on advances/bills

Our interest earned on advances and bills increased by 1.55% to ₹ 37,287.86 crore during Fiscal 2016 from ₹ 36,717.90 crore during Fiscal 2015, primarily resulting from an increase in the volume of advances during this period. The portfolio of advances increased by 10.25% to ₹ 4,46,083.00 crore as at March 31, 2016 from ₹ 4,04,614.06 crore as at March 31, 2015, with an increase of 3.07% in term loans to ₹ 1,82,277.57 crore as at March 31, 2016 from ₹ 1,76,856.83 crore as at March 31, 2015. This increase was partially offset by a decrease in average yield of the Bank's advances to 9.10% during Fiscal 2016 from 9.88% during Fiscal 2015, reflecting the decreasing interest rate environment in India in line with reduced RBI policy rates. NIMs also decreased to 2.60% during Fiscal 2016 from 3.15% during Fiscal 2015, reflecting a decrease in the Bank's average cost of funds to 5.64% during Fiscal 2016 from 5.91% during Fiscal 2015.

Interest on balances with RBI and other inter-bank funds

Our interest on balances with RBI and other inter-bank funds increased by 22.33% to ₹ 740.50 crore during Fiscal 2016 from ₹ 605.33 crore during Fiscal 2015, primarily as a result of an increase in reverse repo deposits with the RBI and other inter-bank funds.

Others (Interest earned)

Our other interest earned decreased by 30.98% to ₹ 235.71 crore during Fiscal 2016 from ₹ 341.49 crore during Fiscal 2015, primarily as a result of a decrease in interest income received from the Rural Infrastructure Development Fund scheme as there was a decrease in the number of projects we participated in during this period.

Total interest expended

Our total interest expended increased by 9.53% to ₹ 34,330.59 crore during Fiscal 2016 from ₹ 31,343.05 crore during Fiscal 2015, primarily due to an increase in interest expense on deposits.

Interest on deposits

Our interest expense on deposits increased by 8.83% to ₹ 30,598.18 crore during Fiscal 2016 from ₹ 28,115.08 crore during Fiscal 2015, resulting from an increase in the volume of deposits. Our deposits increased by 10.70% to ₹ 5,70,382.64 crore as at March 31, 2016, from ₹ 5,15,245.43 crore as at March 31, 2015, due to a 9.74% increase in term deposits of the Bank to ₹ 3,61,733.48 crore as at March 31, 2016 from ₹ 3,29,619.68 crore as at March 31, 2015 reflecting the Bank's increased focus on attracting deposits. The Bank's average deposits increased by 12.48% to ₹ 5,09,869.00 crore during Fiscal 2016 from ₹ 4,53,295.00 crore during Fiscal 2015 as a result of an increase in saving bank deposits, which was partially off-set by a decline in average cost of deposits of the Bank to 5.85% during Fiscal 2016 from 6.09% during Fiscal 2015. The Bank's cost of deposits decreased to 5.36% for and Fiscal 2016 from 5.46% during Fiscal 2015.

Interest on RBI/inter-bank borrowings

Interest paid on RBI/inter-bank borrowings decreased by 1.42% to ₹ 1,372.01 crore during Fiscal 2016 from ₹ 1,391.76 crore during Fiscal 2015 primarily due to a decrease in repo rate between the two periods.

Other Income

The table below sets out the components of our other income.

Other Income	Fiscal 2016	Fiscal 2015	% change
	(₹ crore, except percentages)		
Commission, exchange and brokerage	2,802.88	2,758.63	1.60
Profit on sale of land, buildings and other assets	2.38	3.07	(22.48)
Profit on exchange transaction	454.96	514.72	(11.61)
Profit on sale of investments	991.03	1,122.79	(11.74)
Miscellaneous income	1,848.38	1,775.39	4.11
Total other income	**6,099.63**	**6,174.60**	**(1.21)**

Our other income decreased by 1.21% to ₹ 6,099.63 crore during Fiscal 2016 from ₹ 6,174.60 crore during Fiscal 2015, primarily as a result of a decrease in profit on sale of investments and profit on exchange transaction. This decrease was partially offset by an increase in miscellaneous income and income from commission, exchange and brokerage.

Profit on sale of investments

Our profit on sale of investments decreased by 11.74% to ₹ 991.03 crore during Fiscal 2016 from ₹ 1,122.79 crore during Fiscal 2015 primarily on account of a reduction in trading profits from the sale of government securities.

Profit on exchange transaction

Our profit on exchange transaction decreased by 11.61% to ₹ 454.96 crore during Fiscal 2016 from ₹ 514.72 crore during Fiscal 2015, primarily as a result of our unfavorable trading position in forward contracts and other contracts in the market during Fiscal 2016.

Profit on sale of land, buildings and other assets

Our profit on sale of land, buildings and other assets decreased by 22.48% to ₹ 2.38 crore during Fiscal 2016 from ₹ 3.07 crore during Fiscal 2015, primarily as a result of a decrease in the profit from the sale of furniture and computers during Fiscal 2016 compared to that during Fiscal 2015.

Miscellaneous income

Our miscellaneous income increased by 4.11% to ₹ 1,848.38 crore during Fiscal 2016 compared to ₹ 1,775.39 crore during Fiscal 2015, primarily as a result of realization of certain of our written-off accounts.

Commission, exchange and brokerage

Commission, exchange and brokerage increased by 1.60% to ₹ 2,802.88 crore during Fiscal 2016 from ₹ 2,758.63 crore during Fiscal 2015, primarily as a result of an increase in income from our insurance business and service, processing and documentation charges on advances and guarantees, among others.

Operating Expenses

The table below sets forth details in relation to our operating expenses during Fiscals 2016 and 2015.

Operating Expenses	Fiscal 2016	Fiscal 2015	% change
	(₹ crore, except percentages)		
Payment to and provisions for employees	6,564.49	7,469.12	(12.11)
Rent, taxes and lighting	655.06	575.75	13.78
Printing and stationery	88.97	84.19	5.68
Advertisement and publicity	78.94	48.76	61.89
Depreciation on bank's property	413.15	383.99	7.59
Directors' fees, allowances and expenses	1.94	1.52	27.63
Auditors' fees and expenses (including statutory auditor of subsidiaries, branch auditors' fees and expenses)	71.38	55.11	29.52
Law charges	96.32	64.59	49.13
Postage, telegrams, telephones, etc.	154.04	132.32	16.41
Repairs and maintenance	222.75	199.88	11.44
Insurance	514.93	454.43	13.31
Other expenditure	1,487.91	1,339.33	11.09
Total operating expenses	**10,349.88**	**10,808.99**	**(4.25)**

Our operating expenses decreased by 4.25% to ₹ 10,349.88 crore during Fiscal 2016 from ₹ 10,808.99 crore during Fiscal 2015, primarily as a result of a decrease in payments to and provisions for employees, which was partially offset by an increase in expenses towards rent, taxes and lighting and insurance during this period.

Payment to and provisions for employees

Our payments to and provisions for employees decreased by 12.11 % to ₹6,564.49 crore during Fiscal 2016 from ₹7,469.12 crore during Fiscal 2015, primarily as a result of a decrease in provision made for payment of certain benefits for our employees.

Rent, taxes and lighting

Our expenses towards rent, taxes and lighting increased by 13.78% to ₹655.06 crore during Fiscal 2016 from ₹575.75 crore during Fiscal 2015, primarily as a result of general escalation in lease rent for existing leases.

Insurance

Our expenses towards insurance increased by 13.31% to ₹514.93 crore during Fiscal 2016 from ₹454.43 crore during Fiscal 2015 primarily as a result of increase in deposit insurance to the DICGC, which was in turn a result of an increase in the Bank's deposits during this period.

Other operating expenses

Our advertisement and publicity expenses increased by 61.89% to ₹78.94 crore during Fiscal 2016 from ₹48.76 crore during Fiscal 2015. Depreciation on our property increased by 7.59% to ₹413.15 crore during Fiscal 2016 from ₹383.99 crore during Fiscal 2015. Our other expenditure incurred increased by 13.13% to ₹2,123.31 crore during Fiscal 2016 from ₹1,876.94 crore during Fiscal 2015.

Provisions and Contingencies

The table below sets forth details in relation to our provisions and contingencies during Fiscals 2016 and 2015.

Provisions and Contingencies	The Group

	Fiscal			
	2016		2015	
	(₹ crore)	*(% of Total Income)*	*(₹ crore)*	*(% of Total Income)*
Provisions for depreciation on investment	350.24	0.62	(563.69)	(1.03)
Provisions towards NPAs	18,800.68	33.04	8,262.05	15.05
Floating provisions for NPAs (over and above RBI provisioning norms)	-	-	-	-
Provisions towards Standard Assets	272.54	0.47	437.68	0.80
Provisions made towards Income Tax (including FBT and Wealth Tax)	(1,629.85)	(2.82)	1,055.67	1.92
Other Provisions and contingencies	(956.37)	(1.66)	183.15	0.33
Provisions and Contingencies	**16,837.24**	**29.59**	**9,374.86**	**17.08**

**Our consolidated financial statements for Fiscals 2016 and 2015 state different figures for these line items during Fiscal 2016. This was primarily due to certain issues relating to creation of additional provisions for certain NPA accounts as part of an asset quality review conducted by the RBI led to an increase in provisioning for NPAs between Fiscals 2016 and 2017. Further, there was a release in provisions for depreciation on investment during Fiscal 2015 as a result of favorable mark to market valuations of AFS and HFT securities as compared to Fiscal 2016.*

Provisions for depreciation on investment

Our provisions for depreciation on investment increased by 162.13% to ₹350.24 crore during Fiscal 2016 from ₹(563.69) crore during Fiscal 2015 primarily as a result of mark to market valuation on AFS and HFT investments.

Provisions towards NPAs

Our provisions towards NPAs increased by 127.55% to ₹18,800.68 crore during Fiscal 2016 from ₹8,262.05 crore during Fiscal 2015 primarily as a result of an increase in NPAs. The Bank's gross NPA ratio increased to 12.90% as at March 31, 2016 from 6.55% as at March 31, 2015 due to certain changes in regulations as well as due to the asset quality review conducted by the RBI during Fiscal 2016, while its net NPA ratio increased to 8.61% as at March 31, 2016 from 4.06% as at March 31, 2015. For further details, see "***Selected Statistical Information***" on page 135.

Provisions towards Standard Assets

Our provisions towards standard assets increased by 37.73% to ₹272.54 crore during Fiscal 2016 from ₹437.68 crore during Fiscal 2015 primarily as a result of a decrease in additional provision in standard restructured accounts. Such decrease was on account of the shifting of this line item from standard restructured accounts to other provision and contingencies under "diminution in fair value standard restructured advances".

Provisions made towards Income Tax (including FBT and Wealth Tax)

Our provisions made towards Income Tax (including FBT and Wealth Tax) decreased by 254.39% to ₹(1,629.85) crore during Fiscal 2016 from ₹1,055.67 crore during Fiscal 2015 primarily as a result of losses incurred during Fiscal 2016.

Net Profit

As a result of the above, our consolidated net profit decreased by 208.53% to a loss of ₹3,689.77 crore during Fiscal 2016 from a profit of ₹3,399.59 crore during Fiscal 2015.

Financial Condition

Assets

The table below sets forth details in relation to the principal components of the Bank's and our assets as at the dates indicated below.

Particulars	The Bank	The Group

	As at September 30, 2017	As at March 31, 2017	2016	2015
		(₹ crore)		
Cash and balances with the RBI	26,491.89	25,410.36	26,492.19	24,435.78
Balances with banks and money at call and short notice	55,779.01	65,968.73	52,557.19	33,823.44
Investments	2,10,570.52	1,91,527.16	1,65,126.48	1,56,761.66
Loans and advances	4,10,265.63	4,24,230.49	4,46,083.03	4,04,614.06
Fixed assets	6,455.92	6,297.76	5,308.12	3,655.77
Other assets	22,552.56	19,876.41	17,225.95	12,720.46
Total assets	**7,32,115.53**	**7,33,310.91**	**7,12,792.96**	**6,36,011.17**

Our total assets increased by ₹20,517.95 crore, or 2.88%, to ₹7,33,310.91 crore as at March 31, 2017 from ₹7,12,792.96 crore as at March 31, 2016, and by ₹76,781.79 crore, or 12.07%, to ₹7,12,792.96 crore as at March 31, 2016 from ₹6,36,011.17 crore as at March 31, 2015. The increase was primarily on account of the growth in our balances with banks and money at call and short notice, investments and loans and advances.

Loans and Advances

The table below sets forth a breakdown of loans and advances of the Bank on a standalone basis as at September 30, 2017 and as at March 31, 2017, March 31, 2016 and March 31, 2015.

Loans and Advances	**The Bank**			
	As at September 30, 2017	**As at March 31, 2017**	**2016**	**2015**
		(₹ crore)		
Large Corporate (A)	1,46,403.10	1,52,617.91	1,50,595.13	1,33,072.09
Mid Corporate (B)	36,600.78	38,154.48	37,648.78	33,268.02
Corporate Loans (A + B)[(1)]	**1,83,003.88**	**1,90,772.39**	**1,88,243.91**	**1,66,340.12**
MSE loans [(2)]	66,605.00	66,346.00	65,676.00	60,229.00
Agriculture loans [(3)]	67,503.00	65,629.00	62,604.00	59,157.00
Retail loans[(4)]	71,173.00	65,982.00	57,801.00	48,415.00
Food advances and others	2,697.00	3,021.00	5,524.00	5,846.00
Total domestic loans	**3,90,981.88**	**3,91,750.39**	**3,79,848.91**	**3,39,987.12**
International loans	42,003.55	50,000.97	52,926.13	52,435.03
Total loans and advances	**4,32,985.43**	**4,41,751.36**	**4,32,775.04**	**3,92,422.15**

(1) *Includes working capital loans, project loans and term loans.*
(2) *Includes Pradhan Mantri Mudra Yojana, Stand up India loan, Prime Minister Employment Generation Program (PMEGP).*
(3) *Includes Kisan Credit Card and PNB Gram Uday Scheme.*
(4) *Includes housing loan, conveyance loan, personal loans.*

The Bank's loans and advances increased by 2.07% to ₹4,41,751.36 crore as at March 31, 2017 from ₹4,32,775.04 crore as at March 31, 2016, and by 10.28% to ₹4,32,775.04 crore as at March 31, 2016 from ₹3,92,422.15 crore as at March 31, 2015.

The increase in the Bank's loans and advances to Fiscal 2017 from Fiscal 2016 was particularly pronounced in the following portfolios:

- retail loans, which increased by 14.15% to ₹65,982.00 crore as at March 31, 2017 from ₹57,801.00 crore as at March 31, 2016 primarily as a result of measures such as festival bonanzas, improvement in functioning of central processing centers and the offering of new products; and
- agriculture loans, which increased by 4.83% to ₹65,629.00 crore as at March 31, 2017 from ₹62,604.00 crore as at March 31, 2016 primarily as a result of an increase in crop loans and agriculture investment credit,

which was offset by a decline in the Bank's international loans, which decreased by 5.53% to ₹50,000.97 crore as at March 31, 2017 from ₹52,926.13 crore as at March 31, 2016 primarily as a result of repayment of loans (which were backed by FCNR deposits in India) aggregating to U.S.$1.22 billion. Furthermore, advances decreased by U.S.$0.53 billion, resulting in a decrease in our deposits which amounted to almost U.S.$1.03 billion. Our overseas branches follow borrowing and deposits led lending. As a result of repayment of FCNR-backed advances and shrinking margins in the buyers credit segment, the overseas branches were under pressure to reduce deposits and borrowings. The comparative cost of funds on a year over year (YOY) basis increased to 1.70% during Fiscal 2017 from 1.13% during Fiscal 2016, while yield increased to 2.04% during Fiscal 2017 from 1.74% during Fiscal 2016. Our overseas branches are in the process of consolidation, with a focus on improving our balance sheet by creating medium- to long-term assets, improving our recovery of NPAs and arresting further slippages by adding quality assets to our portfolio.

In response to a slow global economy, the U.S. Federal Reserve has been continually raising interest rates and in response, we have adopted the business strategy of consolidating our branches in overseas locations. We have strategically reduced exposure to unsecured advances in respect of our branches in overseas locations. Since our overseas branches are account for on a standalone basis, we are focusing on highly-rated and asset-backed exposure. We are also improving our record-keeping and accounting systems, thereby preventing new slippages of our assets.

The increase in the Bank's loans and advances to Fiscal 2016 from Fiscal 2015 was particularly pronounced in the following portfolios:

- retail loans, which increased by 19.39% to ₹57,801.00 crore as at March 31, 2016 from ₹48,415.00 crore as at March 31, 2015 primarily as a result of the Bank's greater focus on the retail segment; and
- corporate loans, which increased by 13.17% to ₹1,88,243.91 crore as at March 31, 2016 from ₹1,66,340.12 crore as at March 31, 2015, in accordance with the Bank's overall credit growth.

Balances with banks and money at call and short notice

Our balances with banks and money at call and short notice increased by ₹13,411.54 crore, or 25.52%, to ₹65,968.73 crore as at March 31, 2017 from ₹52,557.19 crore as at March 31, 2016, and by ₹18,733.75 crore, or 55.39%, to ₹52,557.19 crore as at March 31, 2016 from ₹33,823.44 crore as at March 31, 2015. In our financial statements as and for the year ended March 31, 2017, ₹2,000 crore of "other assets" (as presented in our financial statements as at March 31, 2016) had been reclassified as "Balance with banks and money at call and short notice" in order to provide comparability with our financial statements as at March 31, 2017. The increase as at March 31, 2017 was primarily due to the effects of demonetization, which led to a rapid increase in deposits that we were not able to re-deploy as quickly in the form of lending or investments. For further details, see "***Selected Statistical Information***" on page 135.

Investments

The table below sets forth a breakdown of the Bank's investments as at September 30, 2017 and our investments as at March 31, 2017, March 31, 2016 and March 31, 2015.

Investments	**The Bank As at September 30, 2017**	**The Group As at March 31, 2017**	**2016**	**2015**
		(₹ crore)		
Investment in India				
Investment in India gross	**2,05,382.67**	**1,87,762.00**	**1,61,228.76**	**1,55,487.80**
Less: Provision for depreciation	1,407.38	1,412.64	962.26	611.81
Net investment in India	**2,03,978.29**	**1,86,350.02**	**1,60,266.50**	**1,54,875.99**
Government securities	1,56,277.75	1,49,409.91	1,29,658.96	1,27,578.85
Other approved securities	188.30	188.30	188.30	187.84
Shares	4,890.33	5,336.86	4,510.25	3,604.36
Debentures and bonds	32,726.15	25,872.21	19,805.38	16,539.81
Subsidiaries and/or Joint Ventures (including sponsored institutions)	753.27	-	-	-
Associates (on equity method)	-	1,298.15	1,544.25	1,271.20
Others[(1)]	9,142.48	4,244.59	4,559.37	5,692.48
Total	**2,03,978.29**	**1,86,350.02**	**1,60,266.50**	**1,54,874.54**

Investment outside India				
Investment outside India gross	**6,592.23**	**5,191.31**	**4,859.98**	**1,887.12**
Less: Aggregate of provisions for depreciation	-	14.17	-	-
Net investment outside India	**6,592.23**	**5,177.14**	**4,859.98**	**1,887.12**
Government securities	1,500.39	2,180.95	2,008.85	601.38
Subsidiaries and/or Joint Ventures abroad	2,330.17	-	-	-
Associates (on equity method)	-	991.07	965.75	470.23
Other investments	2,761.67	2,005.12	1,885.38	815.51
Total	**6,592.23**	**5,177.14**	**4,859.98**	**1,887.12**
Total investments	**2,10,570.52**	**1,91,527.16**	**1,65,126.48**	**1,56,761.66**

(1) *Includes our investments in certificates of deposits, commercial paper, units of mutual funds, pass through certificates, security receipts and deposits with NABARD, SIDBI and NHB under the priority/weaker section lending schemes.*

Our investments increased by ₹8,364.82 crore, or 5.34%, to ₹1,65,126.48 crore as at March 31, 2016 from ₹1,56,761.66 crore as at March 31, 2015, primarily as a result of increases in investments outside India in government securities, investment in associates and other investments.

Our investments increased by ₹26,400.68 crore, or 15.99%, to ₹1,91,527.16 crore as at March 31, 2017, primarily as a result of an increase in investments in India in government securities, debentures and bonds and shares in order to maintain our reserve ratios at the required level.

Cash and balances with the RBI

Our cash and balances with the RBI decreased by ₹1,081.83 crore, or 4.08%, to ₹25,410.36 crore as at March 31, 2017 from ₹26,492.19 crore as at March 31, 2016, but increased by ₹2,056.41 crore, or 8.42%, to ₹26,492.19 crore as at March 31, 2016 from ₹24,435.78 crore as at March 31, 2015. The decrease in our cash and balances with the RBI to Fiscal 2017 from Fiscal 2016 and the increase in our cash and balances with the RBI to Fiscal 2016 from Fiscal 2015 were primarily on account of the movement of deposits placed with the Bank towards the end of the respective years.

Fixed assets

Our fixed assets increased by ₹989.64 crore, or 18.64%, to ₹6,297.76 crore as at March 31, 2017 from ₹5,308.12 crore as at March 31, 2016, and by ₹1,652.35 crore, or 45.20%, to ₹5,308.12 crore as at March 31, 2016 from ₹3,655.77 crore as at March 31, 2015. These increases were primarily on account of an expansion in, and the renovation of, our branches.

Other assets

Our other assets increased by ₹2,650.46 crore, or 15.39%, to ₹19,876.41 crore as at March 31, 2017 from ₹17,225.95 crore as at March 31, 2016 primarily on account of an increase in our deferred tax assets which arose due to differences in our taxable income and reported income during the prior periods. Our other assets increased by ₹4,505.49 crore, or 35.42%, to ₹17,225.95 crore as at March 31, 2016 from ₹12,720.46 crore as at March 31, 2015 primarily on account of the growth in our deferred tax assets.

Capital and Liabilities

The table below sets forth details in relation to the principal components of the Bank's capital and liabilities as at September 30, 2017 and our capital and liabilities as at March 31, 2017, March 31, 2016 and March 31, 2015.

Particulars	The Bank	The Group		
	As at September 30, 2017	As at March 31,		
		2017	2016	2015
	(₹ crore)			
Capital	425.59	425.59	392.72	370.91
Reserves and Surplus	43,348.28	42,739.27	41,411.53	41,668.53
Minority interest	N.A.	780.63	728.65	548.95
Deposits	6,36,208.35	6,29,650.86	5,70,382.64	5,15,245.43
Borrowings	36,349.58	43,336.01	81,673.74	59,204.76
Other Liabilities and Provisions	15,783.73	16,378.55	18,203.68	18,972.59
Total Capital and Liabilities	**7,32,115.53**	**7,33,310.91**	**7,12,792.96**	**6,36,011.17**

Our total capital and liabilities increased by ₹20,517.95 crore, or 2.88%, to ₹7,33,310.91 crore as at March 31, 2017 from ₹7,12,792.96 crore as at March 31, 2016 and by ₹76,781.79 crore, or 12.07%, to ₹7,12,792.96 crore as at March 31, 2016 from ₹6,36,011.17 crore as at March 31, 2015, primarily on account of the growth in our deposits.

Deposits

The following table sets forth, as at the dates indicated, our outstanding global deposits and the percentage composition by each category of deposits.

Particulars	The Bank		The Group					
	As at September 30, 2017		As at March 31,					
			2017		2016		2015	
	Balance Outstanding	% of total	Balance Outstanding	% of total	Balance Outstanding	% of total	Balance Outstanding	% of total
	(₹ *crores, except percentages*)							
Savings deposits	2,17,798.15	34.23%	2,15,405.64	34.21%	1,70,646.35	29.92%	1,51,081.77	29.32%
Current deposits	39,057.15	6.14%	46,913.92	7.45%	38,002.81	6.66%	34,543.98	6.70%
Term deposits	3,79,353.05	59.63%	3,67,331.30	58.34%	3,61,733.48	63.42%	3,29,619.68	63.97%
Total deposits	**6,36,208.35**	**100.00%**	**6,29,650.86**	**100.00%**	**5,70,382.64**	**100.00%**	**5,15,245.43**	**100.00%**

CASA deposits contributed 44.38% to the Bank's total domestic deposits as at September 30, 2017 and contributed 46.39%, 37.27% and 40.59% to our total domestic deposits as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively. As at March 31, 2017, CASA and term deposits below ₹5.00 crore constituted 37.56% of total deposits. Further, term deposits below ₹1.0 crore were ₹3,44,567.16 crore.

Our total consolidated deposits increased by ₹59,268.22 crore, or 10.39%, to ₹6,29,650.86 crore as at March 31, 2017 from ₹5,70,382.64 crore as at March 31, 2016, primarily on account of growth in our savings deposits, which increased by 26.23% to ₹2,15,405.645 crore as at March 31, 2017 from ₹1,70,646.35 crore as at March 31, 2016. Savings deposits increased largely due to demonetization, which helped us to access a larger customer base than it had previously, as well as the high savings rates that we offer.

Our total consolidated deposits increased by ₹55,137.21 crore, or 10.70%, to ₹5,70,382.64 crore as at March 31, 2016 from ₹5,15,245.43 crore as at March 31, 2015, primarily on account of a growth in the Bank's savings deposits, which increased by 12.95% to ₹1,70,646.35 crore as at March 31, 2016 from ₹1,51,081.77 crore as at March 31, 2015 as a result of higher interest rates offered by the Bank on these accounts during this period. The increase in our total deposits was also a result of growth in the Bank's term deposits, which increased by 9.74% to ₹3,61,733.48 crore as at March 31, 2016 from ₹3,29,619.68 crore as at March 31, 2015 as a result of deposit mobilization efforts by the Bank during the period.

Borrowings

Our borrowings decreased by ₹38,337.73 crore, or 46.94%, to ₹43,336.01 crore as at March 31, 2017 from ₹81,673.74 crore as at March 31, 2016, primarily on account of a decrease in our borrowings in India commensurate with an increase in deposits during this period. Deposits constituted 85.86% of our total liabilities as at March 31, 2017 and contributed 92.72% to our average cost of funds during Fiscal 2017. Our borrowings increased by ₹22,468.98 crore, or 37.95%, to ₹81,673.74 crore as at March 31, 2016 from ₹59,204.76 crore as at March 31, 2015, primarily on account of increased borrowings by us which we primarily used to support growth in their loans and advances portfolios.

Capital

Our capital increased by ₹32.87 crore, or 8.37%, to ₹425.59 crore as at March 31, 2017, primarily as a result of the 16,43,70,768 equity shares of ₹2 each allotted on preferential basis to the Government of India by the Bank at a premium of ₹126.49 per equity share. The total amount received by the Bank as a result was ₹2,112.00 crores which includes ₹32.87 crore as equity capital and ₹2,079.13 crores as premium. Our capital increased by ₹21.81 crore, or 5.88%, to ₹392.72 crore as at March 31, 2016 from ₹370.91 crore as at March 31, 2015, primarily as a result of the 10,90,40,543 equity shares of ₹2 each allotted on preferential basis to the Government of India by the Bank at a premium of ₹156.84 per equity share. The total amount received by the Bank as a result was ₹1,731.99 crore.

Reserves and surplus

Our reserves and surplus increased by ₹1,327.74 crore, or 3.21%, to ₹42,739.27 crore as at March 31, 2017 from ₹41,411.53 crore as at March 31, 2016, primarily on account of an increase in revaluation reserves. Our reserves and surplus decreased by ₹257.00 crore, or 0.62%, to ₹41,411.53 crore as at March 31, 2016 from ₹41,668.53 crore as at March 31, 2015, primarily on account of adjustment related to previous years.

Other liabilities and provisions

Our other liabilities and provisions decreased by ₹1,825.13 crore, or 10.03%, to ₹16,378.55 crore as at March 31, 2017 from ₹18,203.68 crore as at March 31, 2016, primarily on account of interest accrued. Our other liabilities and provisions decreased by ₹768.91 crore, or 4.05%, to ₹18,203.68 crore as at March 31, 2016 from ₹18,972.59 crore as at March 31, 2015, primarily on account of an increase in other liabilities (including provisions made).

Minority interest

Our minority interest increased by ₹51.98 crore, or 7.13%, to ₹780.63 crore as at March 31, 2017 from ₹728.65 crore as at March 31, 2016, primarily on account of an increase in earnings from our Subsidiaries. Our minority interest increased by ₹179.70 crore, or 32.74% to ₹728.65 crore as at March 31, 2016 from ₹548.95 crore as at March 31, 2015, primarily on account of an increase in earnings from our Subsidiaries.

Liquidity

The Bank regularly monitors its funding levels to ensure that it is able to satisfy requirements of loan disbursements and those that would arise upon maturity of liabilities. The Bank maintains diverse sources of funding and liquid assets to facilitate flexibility in meeting its liquidity requirements. For further details, see "***Risk Factors—Any increase in the prescribed cash reserve ratio ("CRRs") and statutory liquidity ratio ("SLRs") requirements that we are required to maintain could adversely affect our business and performance.***" on page 52 and "***Risk Factors—We are subject to certain liquidity risks***" on page 55.

Cash Flows

The table below sets forth details our cash flows during Fiscals 2017, 2016 and 2015 and the Bank's cash flows during the six month period ended September 30, 2017.

Particulars	**Six month period ended September 30, 2017**	**Fiscals**		
	2017 *(₹ million)*	**2017** *(₹ million)*	**2016** *(₹ million)*	**2015** *(₹ million)*
Net cash generated from operating activities	(49,952.68)	2,19,380.30	1,41,670.00	48,136.00
Net cash generated from / used in investing activities	(11,635.31)	1,587.50	(13,515.10)	(8,718.00)
Net cash generated from / used in financing activities	980.56	(97,670.70)	59,746.70	74,514.30
Net increase / (decrease) in cash and cash equivalents	**(60,607.43)**	**1,23,297.10**	**1,87,901.60**	**1,13,932.30**

Capital Resources

The RBI has issued guidelines based on the Basel III reforms on capital regulation on May 2, 2012, to the extent applicable to banks operating in India. The Basel III Capital Regulations have been implemented from April 1, 2013 in India in a phased manner.

Banks have to comply with the regulatory limits as prescribed under the Basel III Capital Regulations, on an ongoing basis. In order to ensure smooth transition to Basel III, appropriate transitional arrangements have been provided such as meeting the minimum Basel III capital ratios and full regulatory adjustments to the components of capital. The Basel III Capital Regulations are expected to be fully implemented by March 31, 2019. Banks are also required to maintain a CAR of 9.00%, with CET I Capital at 5.50% and Tier I Capital of 7.00%.

In addition a Capital Conservation Buffer ("**CCB**") of 2.50% is required to be maintained as CET I Capital. For further information, see "***Regulations and Policies***" beginning on page 211.

The table below sets forth the Bank's risk based capital and risk-weighted assets as at the dates indicated below, and as reported to the RBI.

(₹ crore)

Particulars	Basel III The Bank	
	As at September 30, 2017	As at March 31, 2017
Common equity Tier I capital	35,683.79	35,844.60
Tier I capital	41,322.68	40,574.85
Tier II capital	12,459.02	12,534.03
Total capital adequacy ratio	11.56%	11.66%
Total RWA and contingents	4,65,231.76	4,55,607.56

The table below sets forth our risk based capital adequacy ratios computed in accordance with the applicable Basel III Capital Regulations (including retained profit) as at March 31, 2017, March 31, 2016 and March 31, 2015 and the Bank's risk based capital adequacy ratios computed in accordance with the applicable Basel III Capital Regulations (including retained profit) as at September 30, 2017, and as reported to the RBI:

Particulars	Basel III			
	The Bank	The Group		
	As at September 30, 2017	As at March 31,		
		2017	2016	2015
Common equity Tier I capital ratio (%)	7.67	8.17	8.48	9.14
Tier I capital adequacy ratio (%)	8.88	9.25	10.16	9.67
Tier II capital adequacy ratio (%)	2.68	2.73	2.99	3.23
Total capital adequacy ratio (%)	**11.56**	**11.98**	**13.15**	**12.89**

The Bank's total capital adequacy ratio, calculated in accordance with Basel III (including retained profit), as at September 30, 2017 was 11.56%, including a Tier I capital adequacy ratio of 8.88% and a Tier II capital adequacy ratio of 2.68%.

For a description of the RBI's capital adequacy guidelines, including required weightings of risk-weighted assets and contingents, see "***Regulations and Policies***" and "***Risk Factors—The implementation of Basel III Capital Regulations may adversely affect us and we may face certain difficulties in maintaining our prescribed capital adequacy ratios. Failure to comply with the capital adequacy requirements stipulated by the RBI may materially and adversely affect our business and operations***" on pages 211 and 46, respectively.

Capital Expenditure

Our capital expenditure consists principally of expenditure relating to branch network expansion as well as investment in technology and communication infrastructure, in each case principally in India.
Our capital expenditure during Fiscals 2017, 2016 and 2015 was ₹645.83 crore, ₹735.39 crore and ₹529.12 crore, respectively.

Our planned future capital expenditure relates primarily to maintenance and investments in technology and communication infrastructure. We do not consider our current capital expenditure plans to be material in amount, given the size, scope and nature of our business. However, our actual capital expenditure may be higher or lower than our current expectations, and could be material in amount. Moreover, we may incur capital expenditure for purposes other than the above, depending on, among other factors, the business environment prevailing at the time and any change in our business plans.

Contingent Liabilities

The table below sets forth the principal components of our consolidated contingent liabilities as at March 31, 2017, March 31, 2016 and March 31, 2015 and the principal components of the Bank's contingent liabilities as at September 30, 2017.

Particulars	The Bank	The Group		
	As at September 30, 2017	As at March 31,		
		2017	2016	2015
	(₹ crore)	*(₹ crore)*	*(₹ crore)*	*(₹ crore)*
Claims against the Group not acknowledged as debts	297.88	249.58	231.04	209.42
Disputed income tax and interest tax demands under appeal, reference, etc.	6.31	0.00	1,160.69	1,056.21
Liability for partly paid investments	14.58	0.01	0.01	153.01
Liability on account of outstanding forward exchange contracts	2,55,255.59	2,53,032.27	2,57,774.01	1,94,285.07
Guarantees given on behalf of constituents in India	38,379.73	38,240.86	32,595.19	29,020.58
Guarantees given on behalf of constituents outside India	15,368.67	14,039.35	13,632.32	15,067.12
Acceptances, endorsements and other obligations	30,553.36	29,368.51	31,377.45	41,073.40
Other items for which the Group is contingently liable for	1,521.15	3,920.46	2,397.34	2,091.35
Total	**3,41,397.27**	**3,38,851.04**	**3,39,168.05**	**2,82,956.16**

The Bank's contingent liabilities were ₹3,41,397.27 crore as at September 30, 2017, which included, among other things, significant foreign exchange contract exposure.

Our contingent liabilities decreased marginally by 0.09%, or ₹317.01 crore, to ₹3,38,851.04 crore as at March 31, 2017 from ₹3,39,168.05 crore as at March 31, 2016. Our contingent liabilities increased by 19.87%, or ₹56,211.89 crore, to ₹3,39,168.05 crore as at March 31, 2016 from ₹2,82,956.16 crore as at March 31, 2015, primarily due to an increase in liability on account of outstanding forward exchange contracts.

As a part of our commercial banking activities, we have issued documentary credits and guarantees to enhance the credit standing of our customers. Financial guarantees are obligations to pay a third-party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 10 years. The credit risks associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. We take cash collateral and other property on security to cover potential losses on these guarantees. Also see "—***Financial instruments and off-balance sheet arrangements***" below.

Financial instruments and off-balance sheet arrangements

Our foreign exchange and derivative product offerings to our customers cover a range of products, including foreign exchange and interest rate transactions and hedging solutions, such as spot and forward foreign exchange contracts, forward rate agreements, currency swaps, currency options and interest rate derivatives. These transactions enable our customers to transfer, modify or reduce their foreign exchange and interest rate risks. A specified group of relationship managers from our treasury front office works on such product offerings jointly with the relationship managers from wholesale banking.

We enter into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with inter-bank participants, similar to our wholesale banking business, where we enter into such transactions with our customers. To support our clients' activities, we are an active participant in the Indian inter-bank foreign exchange market. We also trade, to a more limited extent, for our own account. In addition, we engage in proprietary trades of rupee-based interest rate swaps and use them as part of our asset liability management.

Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. A currency option is a contract where the purchaser of the option has the right but not the obligation to either purchase or sell and the seller of the option agrees to sell or purchase an agreed amount of a specified currency at a price agreed in advance and denominated in another currency on a specified date or by an agreed date in the future. A forward rate agreement is a financial contract between two parties to exchange interest payments for a 'notional principal' amount on a settlement date, for a specified period from a start date to a maturity date. Currency swaps are commitments to exchange cash flows by way of interest in one currency against another currency and exchanges of principal amounts at maturity based on predetermined rates. Rupee interest rate swaps are commitments to exchange fixed and floating rate cash flows in rupees.

We earn profit on customer transactions by way of a margin as a mark-up over the inter-bank exchange or interest rate. We earn profit on inter-bank transactions by way of a spread between the purchase rate and the sale rate. These profits are recorded as income from foreign exchange and derivative transactions. The RBI imposes limits on our ability to hold overnight positions in foreign exchange and derivatives.

The following table presents the aggregate notional principal amounts of the Bank's outstanding foreign exchange and derivative contracts, as at the dates indicated.

Particulars	**The Bank**	**The Group**		
	As at September 30, 2017	**As at March 31,**		
		2017	**2016**	**2015**
	(₹ crore)	*(₹ crore)*	*(₹ crore)*	*(₹ crore)*
Interest rate swaps and forward rate agreements	3,584.98	5,753.94	1,197.44	1,822.40
Forward exchange contracts, currency swaps, currency options and interest rate caps and floors	2,51,670.61	2,47,278.33	2,56,576.57	1,92,462.67
Total	2,55,255.59	2,53,032.27	2,57,774.01	1,94,285.07

Cross-border Exposures

The RBI requires banks in India to implement RBI prescribed guidelines on country risk management in respect of those countries where a bank has net funded exposure in excess of a prescribed percentage of its total assets. In the normal course of business, we have both direct and indirect exposure to risks related to counterparties and entities in foreign countries. We monitor such cross-border exposures on an ongoing basis. Our aggregate country risk exposure, on a standalone basis, was ₹45,931.04 crore or 6.38% of our total assets as at March 31, 2017 and we had made provisions of ₹12.15 crore for Hong Kong and ₹13.23 crore for UAE in accordance with the applicable RBI guidelines

Qualitative disclosure about risks and risk management

The Bank is exposed to various risks that are an inherent part of any banking business, with the major risks being credit risk, market risk, liquidity risk and operational risk.

The Bank has various policies and procedures in place to measure, manage and monitor these risks systematically across all its portfolios. The Board reviews the policies and progress in the implementation of risk management systems, asset liability management, risk based supervision and a risk-based internal audit at half yearly intervals. Through various committees of the Board, we oversee the policy and strategy for Bank- and Group-wide risk management relating to various risk exposures of the Bank including credit, market, liquidity and operational risks and that have been constituted to address credit, market, operational, enterprise, group, liquidity and interest rate risk matters.

For further information about the types of risks the Bank manages and the Bank's risk management policies and structures, see "***Our Business—Risk Management***" on page 190.

Critical accounting policies

We have set forth below some of our critical accounting policies under Indian GAAP which have been included from the audited consolidated financial statements for Fiscal 2017.

The consolidated financial statements have been prepared on historical cost basis and conform, in all material aspects, to Indian GAAP and applicable statutory provisions, regulatory norms prescribed by the RBI, circulars and guidelines issued by the RBI from time to time, Banking Regulation Act, 1949, Companies Act, 2013, Accounting Standards ("**AS**") and pronouncements issued by ICAI and prevailing practices in the banking industry in India.

In respect of foreign entities, statutory provisions and practices prevailing in the respective foreign countries are complied with except as specified elsewhere. The financial statements have been prepared on going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed, unless otherwise stated.

As a result of changes in applicable statutory requirements, regulatory guidelines and accounting practices in India, our accounting policies may have undergone changes during the periods covered by this discussion. Accordingly, this discussion should be read in conjunction with our financial statements and notes as applicable during the respective fiscal year. For accounting policies used for the preparation of our audited standalone and consolidated financial statements, see "***Financial Statements***" beginning on page 270.

Use of Estimates

The preparation of consolidated financial statements requires our management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as at date of the financial statements and the reported income and expenses for the reporting period. Our management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Difference between the actual results and estimates is recognized in the period in which the results are known or materialized. Any revision to the accounting estimates is recognized prospectively in the current and future periods, unless otherwise stated.

Basis for consolidation

Consolidated financial statements of the Group (comprising of five subsidiaries, 10 associates and one joint venture) have been prepared on the basis of:

(a) our audited financial statements;
(b) as per AS 21, line by line aggregation of like items of assets, liabilities, income and expenses of subsidiaries with the respective item of the Bank after eliminating material intra-group balances/transactions, unrealized profit/losses and making necessary adjustments, wherever required, to conform to uniform accounting policies, based on data received from these subsidiaries duly audited by their respective auditors;
(c) foreign currency translation of overseas subsidiaries have been done as under:

(i) Income and Expenditure – at weighted average rates prevailing during the year; and
(ii) Assets and Liabilities – at the year-end rates,
(iii) The resultant foreign currency translation difference, whether gain or loss, has been included under Reserves and Surplus - Foreign Currency Translation Reserve;

(d) investments in associates, where the group holds 20% or more of the voting power, have been accounted for using the equity method in terms of AS 23 issued by the ICAI; and
(e) in the absence of full information regarding impact of differences in accounting policies we followed, subsidiaries and associates, no adjustments have been carried out. In like manner, unrealized profits and losses resulting from transactions between us, the subsidiaries and associates, if any, to the extent of our interest in the subsidiaries and associates have not been eliminated. Financial statements received from these subsidiaries and associates form the sole basis for their incorporation in these Consolidated Financial Statements.

The difference between cost to the Group of its investment in the subsidiaries and the Group's portion of the equity of the subsidiaries is recognized as goodwill and capital reserve.

Minority interest in the net assets of consolidated subsidiaries consist of:

(a) the amount of equity attributable to the minority at the date on which investments in a subsidiary is made; and
(b) the minority share of movements in equity since date of parent-subsidiary relationship came into existence.

Revenue recognition

Income and expenditure are generally accounted for on accrual basis, except otherwise stated. Income from NPAs, comprising of advances, and investments, is recognized upon realization, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices (the "**Regulatory Authorities**").

Recoveries in NPA accounts (irrespective of the mode, status and stage of recovery actions) are appropriated in the following order of priority:

- expenditure and out of pocket expenses incurred for recovery (earlier recorded in memorandum dues);
- principal irregularities, that is NPAs outstanding in the account; and
- towards the interest irregularities and accrued interest.

The sale of NPAs is accounted in accordance with guidelines prescribed by the RBI.

Commission (excluding on government business), interest on overdue bills, exchange, locker rent, income from merchant banking transactions and Income on Rupee derivatives designated as "Trading" are accounted for on realization and insurance claims are accounted for on settlement.

In case of suit filed accounts, related legal and other expenses incurred are charged to profit and loss account and on recovery the same are accounted for as such.

Income from interest on refund of income tax is accounted for in the year the order is passed by the concerned authority.

Lease payments including cost escalation for assets taken on operating lease are recognized in the profit and loss account over the lease term in accordance with AS 19 issued by the ICAI.

Provision for reward points on debit/credit cards is made based on the accumulated outstanding points in each category.

Interest on unpaid and unclaimed matured term deposits is accounted for at savings bank rate.

Dividend is accounted for as and when the right to receive the dividend is established.

Investments

The transactions in securities are recorded on "settlement date".

Investments are classified into six categories as stipulated in form A of the third schedule to the Banking Regulation Act, 1949.

Investments have been categorized into "Held to Maturity" ("**HTM**"), "Available for Sale" ("**AFS**") and "Held for Trading" ("**HFT**") in terms of RBI guidelines as such:

- securities acquired by us with an intention to hold till maturity are classified under HTM;
- the securities acquired by us with an intention to trade by taking advantages of short term price/ interest rate movements are classified under HFT; and
- the securities, which do not fall within the above two categories, are classified under AFS.

Investments in our Subsidiaries, Joint Venture and Associates are classified as HTM.

Transfer of securities from one category to another is carried out at the lower of acquisition cost, book value and market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for. However, transfer of securities from HTM category to AFS category is carried out on book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided. An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

In determining acquisition cost of an investment:

- brokerage, commission received on subscription is deducted from the cost of securities;
- brokerage, commission, securities transaction tax (STT) etc. paid in connection with acquisition of securities are treated as revenue expenses upfront and excluded from cost;
- interest accrued up to the date of acquisition/sale of securities i.e. broken — period interest is excluded from the acquisition cost/sale consideration and the same is accounted in interest accrued but not due account; and
- cost is determined on the weighted average cost method for all categories of investments.

Investments are valued as per RBI/Fixed Income Money Market and Derivatives Association of India ("**FIMMDA**") guidelines, on the following basis:

- Held to Maturity

Investments under the HTM category are carried at acquisition cost. Wherever the book value is higher than the face value/redemption value, the premium is amortized over the remaining period to maturity on straight line basis. Such amortization of premium is reflected in interest earned under the head "Income on investments" as a deduction.

Investments in subsidiaries/joint ventures/associates are valued at carrying cost less diminution, other than temporary in nature for each investment individually. Investments in sponsored regional rural banks are valued at carrying cost. Investment in Venture Capital is valued at carrying cost. Equity shares held in HTM category are valued at carrying cost.

- AFS and HFT

a)	I. Central Government securities	At market prices/yield to maturity (YTM) as published by FIMMDA.
	II. State Government securities	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines.
b)	Securities guaranteed by Central/State Government, PSU Bonds (not in the nature of advances)	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines.
c)	Treasury Bills	At carrying cost.
d)	Equity shares	At market price, if quoted, otherwise at breakup value of the Shares as

		Per latest Balance Sheet (not more than one year old), otherwise at Re.1 per company
e)	Preference shares	At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per RBI/FIMMDA guidelines.
f)	Bonds and debentures (not in the nature of advances)	At market price, if quoted, or on appropriate yield to maturity basis as per RBI/FIMMDA guidelines.
g)	Units of mutual funds	As per stock exchange quotation, if quoted; at repurchase price/NAV, if unquoted.
h)	Commercial paper	At carrying cost.
i)	Certificate of deposits	At carrying cost.
j)	Security receipts of ARCIL	At net asset value of the asset as declared by ARCIL.
k)	Venture Capital Funds	At net asset value (NAV) declared by the VCF.
l)	Other Investments	At carrying cost less diminution in value.

The above valuation in category of AFS and HFT is done scrip wise on a quarterly basis and depreciation/appreciation is aggregated for each classification. Net depreciation for each classification, if any, is provided for while net appreciation is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

Investments are subject to appropriate provisioning and de-recognition of income, in line with the prudential norms of the RBI for NPI classification. The depreciation and provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities. For NPI in preference share, debentures and bonds, in addition to valuation as above, further provision is made on sub-standard and doubtful assets as per NPA provisioning norms. If any credit facility availed by an entity is NPA in our books, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa. However, in respect of NPI preference share where the dividend is not paid, the corresponding credit facility is not treated as NPA.

Profit or loss on sale of investments in any category is taken to profit and loss account but, in case of profit on sale of investments in the HTM category, an equivalent amount (net of taxes and amount required to be transferred to Statutory Reserve) is appropriated to “Capital Reserve Account”.

Securities repurchased and resold under buy back arrangement are accounted for at original cost.

The securities sold and purchased under repo and reverse repo are accounted as collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/purchase transactions and such movement of securities is reflected using the rep and reverse repo accounts and contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in repo account is classified under “Borrowings” and balance in reverse repo account is classified under “Balance with banks and money at call and short notice”. The same is also applicable to LAF with RBI.

The derivatives transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market. As per RBI guidelines, different categories of swaps are valued as under:

- Hedge swaps

Interest rate swaps which hedge interest bearing asset or liability are accounted for on accrual basis except the swaps designated with an asset or liability that are carried at market value or lower of cost in the financial statement. Gain or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset or liability.

- Trading swaps

Trading swap transactions are marked to market with changes recorded in the financial statements. Exchange traded derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the profit and loss account.

Foreign currency options written by us with a back-to-back contract with another bank are not marked to market since there is no market risk. Premium received is held as a liability and transferred to the profit and loss account on maturity and cancellation.

Loans, advances and provisions:

Advances are classified as performing and NPAs; provisions are made in accordance with prudential norms prescribed by RBI.

Advances are classified as: standard, substandard, doubtful and loss assets. Advances are stated net of specific loan loss provisions, provision for diminution in fair value of restructured advances.

In respect of foreign offices, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of the RBI, whichever is more stringent. Loans and advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country.

Financial assets sold are recognized as under:

- For Sale of financial assets sold to Securitization Companies ("**SCs**")/Reconstruction Companies ("**RCs**")

    - If the sale to SCs/RCs is at a price below the NBV, (i.e. Book Value less provisions held), the shortfall should be debited to the Profit and Loss account of that year. We can also use countercyclical and floating provisions for meeting the shortfall on sale of NPAs, that is when the sale is at a price below the NBV.

      However, for assets sold on or after February 26, 2014 and up to March 31, 2016, as incentive for early sale of NPAs, we can spread over any shortfall, if the sale value is lower than the NBV, over a period of two years. However, assets sold from April 1, 2016 to March 31, 2017, shortfall is to be amortized over a period of only four quarters from the quarter, in which the sale took place.

    - If the sale is for a value higher than the NBV, the Bank can reverse the excess provision on sale of NPAs to its profit and loss account in the year, the amounts are received. However, the Bank can reverse excess provision (when the sale is for a value higher than the NBV) arising out of sale of NPAs, only when the cash received (by way of initial consideration and/or redemption of SRs/PTCs) is higher than the NBV of the asset. Further, reversal of excess provision will be limited to the extent to which cash received exceeds the NBV of the asset.

- For Sale of financial assets sold to other banks/NBFCs/FIs etc.

    - In case the sale is at a price below the NBV, that is book value less provision held, the shortfall should be debited to the profit and loss account of that year.

    - In case the sale is for a value higher than the NBV, that is book value less provision held, the excess provision shall not be reversed but will be utilized to meet the shortfall/loss on account of sale of other NPAs.

We consider a restructured account as one where we, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that we would not otherwise consider. Restructuring would normally involve modification of terms of the advance/securities, which would generally include, among others, alteration of repayment period, repayable amount and the amount of installments and rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by us only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

For restructured and rescheduled advances, provisions are made in accordance with guidelines issued by the RBI. In respect of non-performing loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period, that is a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI guidelines. These provisions are reflected in the Balance Sheet under the head "Other Liabilities and Provisions" and are not considered for arriving at the Net NPAs.

In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by us as Special Mention Accounts ("**SMAs**") to the Central Repository of Information on Large Credits. Accelerated provision is also made on non-performing advances which are SMAs and a joint lenders' forum has not been convened by lenders as required by the RBI or they fail to agree upon a common corrective action plan within the stipulated timeframe. Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the profit and loss account.

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorized into seven risk categories, namely, insignificant low, moderately Low, moderate, moderately high, high and very high and provisioning made as per extant RBI guidelines. If the country exposure (net) of us in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in the Balance Sheet under the "Other liabilities and provisions".

An additional provision of 2% (in addition to country risk provision that is applicable to all overseas exposures) against standard assets representing all exposures to step down subsidiaries of Indian Corporates has been made to cover the additional risk arising from complexity in the structure, location of different intermediary entities in different jurisdictions exposing the Indian Company, and hence the Bank, to a greater political and regulatory risk (as per RBI Circular No. RBI/2015.16/279 DBR.IBD.BC No. 68/23.37.001/2015-16 dated December 31, 2015).

Fixed assets

Fixed assets are stated at historical cost, less accumulated depreciation/amortization, wherever applicable, except those premises, which have been revalued. The appreciation on revaluation is credited to revaluation reserve and incremental depreciation attributable to the revalued amount is deducted therefrom. Software is capitalized and clubbed under Intangible assets.

Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset till the time of capitalization. Subsequent expenditures incurred on the assets are capitalized only when it increases the future benefits from such assets or their functioning capability.

Depreciation

Depreciation on assets (including land where value is not separable) is provided on straight-line method based on estimated life of the asset, except in respect of computers where it is calculated on the straight-line method, at the rates prescribed by RBI.

Depreciation on assets has been provided at the rates furnished below:

Particulars	Rate of Depreciation
Land acquired on perpetual lease where no lease period is mentioned	Nil
Land acquired on lease where lease period is mentioned	Over lease period
Building	
• Constructed on free hold land and on leased land, where lease period is above 40 years	2.50%

• Constructed on leased land where lease period is below 40 years.	Over lease period
Built-up assets taken over from erstwhile New Bank of India & Nedungadi Bank Ltd	4.00%
Furniture and fixtures-steel articles	5.00%
Furniture and fixtures-wooden articles	10.00%
Mattresses	20.00%
Mobile phone instruments	33.33%
Machinery, electrical and miscellaneous articles	15.00%
Motor cars and cycles	15.00%
Computers, ATMs and related items, laptop, iPad	33.33%
Computer application software – intangible assets	
• Up to ₹5,000	Charged to revenue
• Others	20.00%

Depreciation on fresh additions to assets other than the Bank's own premises is provided from the month in which the assets are put to use and in the case of assets sold or disposed of during the year, up to the month preceding the month in which it is sold or disposed of.

The depreciation on bank's own premises existing at the close of the year is charged for full year. The construction cost is depreciated only when the building is complete in all respects. Where the cost of land and building cannot be separately ascertained, depreciation is provided on the composite cost, at the rate applicable to buildings.

In respect of leasehold premises, the lease premium, if any, is amortized over the period of lease and the lease rent is charged in the respective year(s).

Impairment of assets

The carrying costs of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors.

An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, if any, depreciation is provided on the revised carrying cost of the asset over its remaining useful life.

A previously recognized impairment loss is increased or reversed depending on changes in circumstances.

However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

Employment benefits

- Provident fund

Provident fund is a defined contribution scheme as the Bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contribution are charged to the Profit & Loss account.

- Gratuity

  Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

- Pension

  Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

  The Bank operates a New Pension Scheme (NPS) for all officers/ employees joining the Bank on or after April 1, 2010. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of registration procedures of the employees concerned, these contributions are retained. The Bank recognizes such annual contributions as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

- Compensated absences

  Accumulating compensated absences such as Privilege Leave (PL) and Sick Leave (including unavailed casual leave) are provided for based on actuarial valuation.

- Other employee benefits

  Other Employee Benefits such as Leave Fare Concession (LFC), Silver Jubilee Award, etc. are provided for based on actuarial valuation. In respect of overseas branches and offices, the benefits in respect of employees other than those on deputation are valued and accounted for as per laws prevailing in the respective countries.

Translation of foreign currency transactions and balances

Transactions involving foreign exchange are accounted for in accordance with AS 11 - “The Effect of Changes in Foreign Exchange Rates”.

Except advances of the former London branches which are accounted for at the exchange rate prevailing on the date of parking in India, all other monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are initially recorded at a notional rate and translated in Indian Rupee equivalent at the exchange rates prevailing as on the Balance Sheet date as per Foreign Exchange Dealers’ Association of India (“**FEDAI**”) guidelines.

Non-monetary items other than fixed assets which are carried at historical cost are translated at exchange rate prevailing on the date of transaction.

Outstanding forward exchange spot and forward contracts are translated as on the Balance Sheet date at the rates notified by FEDAI and the resultant gain/loss on translation is taken to profit and loss account. Foreign exchange spot/forward contracts/deals (merchant and inter-bank) which are not intended for trading and merchant hedge and are outstanding on the Balance Sheet date, are reverse re-valued at the closing FEDAI spot and forward rate in order to remove revaluation effect on exchange profit. The premium or discount arising at the inception of such a forward exchange contract is amortized as interest expense or income over the life of the contract.

Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognized as income or as expense in the period in which they arise. Gains or losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognized in the profit and loss account.

Offices outside India and offshore banking units:

- Operations of foreign branches and off shore banking unit are classified as "Non-integral foreign operations" and operations of representative offices abroad are classified as "integral foreign operations".
- Foreign currency transactions of integral foreign operations and non-integral foreign operations are accounted for as prescribed by AS 11.
- Exchange fluctuation resulting into profit or loss of non-integral operations is credited or debited to exchange fluctuation reserve.

Taxes on income

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by us. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per AS 22 - "Accounting for Taxes on Income" respectively after taking into account taxes paid at the foreign offices, which are based on the tax laws of respective jurisdictions.

Deferred tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognized by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognized in the profit and loss account. Deferred tax assets are recognized and re-assessed at each reporting date, based upon management's judgment as to whether their realization is considered as reasonably/virtually certain.

Earnings per share

We report basic and diluted earnings per share in accordance with AS 20 - "Earnings per Share" issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

Provisions, contingent liabilities and contingent assets

In conformity with AS 29 - "Provisions, Contingent Liabilities and Contingent Assets", issued by the ICAI, we recognize provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the financial statements.

Segment reporting

We recognize the business segment as the primary reporting segment and geographical segment as the secondary reporting segment, in accordance with the RBI guidelines and in compliance with the AS 17 issued by the ICAI.

Summary of changes to significant accounting policies

Except as set out below, there were no changes to the significant accounting policies of the Bank or any of its subsidiaries and associates which resulted in a material impact on its profit in Fiscals 2017, 2016 and 2015.

Change in policy on sale of financial assets

There was no material change in the Accounting Policies adopted during Fiscal 2015 except that the policy for sale of financial assets regarding treatment of loss and profit made on sale of accounts was updated in terms of the applicable RBI circulars and guidelines. However, such change did not result in any impact on our profit and loss account or the reserves of the Bank.

There was no material change in the accounting policies adopted during Fiscal 2016.

The financial results for Fiscal 2017 have been prepared following the same accounting policies and practices as those followed during Fiscal 2016, except:

- the guidelines pertaining to the sale of financial assets to securitization companies, reconstruction companies or banks, in terms of the applicable RBI circulars;
- additional provision of 2% on credit facilities to overseas step-down subsidiaries of Indian corporates in terms of the applicable RBI circulars; and
- earlier dividend was accounted on realization basis and now the same is accounted for as and when the right to receive dividend is established.

However there was no impact on our profit and loss account or the reserves of the Bank due to change in policies during Fiscal 2017.

Summary of changes to classification

As a result of amendments in the provisioning norms pursuant to the RBI circulars DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017 and RBI/2015-16/376 DBR.No.BP. BC.92/21.04.048/2015-16 dated April 18, 2016, the Bank was required to reclassify certain items with respect to the year ended March 31, 2016 in its financial statements as at and for the year ended March 31, 2017. ₹2,000 crore of "Other Assets" (as presented in the financial statements as at and in the fiscal year ended March 31, 2016) had been reclassified as "Balance with banks and money at call and short notice" in order to provide comparability with our financial statements as at and in the financial year ended March 31, 2017.

The Bank was also required to reduce ₹876.97 crore from each of "Provisions and contingencies" and "Miscellaneous income", reallocate ₹77.63 crore of income from "Dividend income from units of mutual fund" to "Income earned by way of dividends", and reallocate ₹273.18 crore of profit earned from "Gain on mutual fund" to "Profit on sale of investment". However, these changes did not have an impact on profitability during Fiscal 2017.

For further information in relation to such regroupings or reclassifications, please refer to the financial statements of the Bank and the Group included in "***Financial Statements***" of this Preliminary Placement Document.

Qualifications, reservations and adverse remarks

Except as set out below, there are no reservations, qualifications or adverse remarks highlighted by our statutory auditors in their reports to our standalone and consolidated financial statements as at and for the fiscal years ended March 31, 2017, 2016 and 2015, together with the impact on our financial statements (if any) and the corrective steps we have taken in this regard.

2017 – Emphasis of Matter

The auditors drew attention in their reports to our standalone and consolidated financial statements as at and for the fiscal years ended March 31, 2017 to the valuation of plan assets of long-term benefits. In accordance with Accounting Standard – 15 "Employee Benefits" issued by the ICAI, during Fiscal 2017, while considering the fair value of plan assets relating to pension and gratuity fund being long term benefits of employees, interest accrued on investments were also taken into account as against only the principal amount in earlier years. As a result, the employer contribution to pension and gratuity funds representing excess of fair value of plan assets over present value of obligation amounting to ₹2,026.60 crores was credited to "Payments to and Provisions for Employees - Employee Cost", with consequential impact on results for the year. The figures for Fiscal 2016 are therefore not comparable to that extent.

2016 – Emphasis of Matter

The auditors drew attention in their reports to our standalone and consolidated financial statements as at and for the fiscal years ended March 31, 2016 to the change in its policy with regard to valuation of plan assets of long-term benefits valuation of plan assets from book value to fair value, resulting in an increase in the value of plan assets by ₹388.07 crores in respect of pension fund and by ₹53.08 crores in respect of gratuity fund in terms of Accounting Standard – 15, "Employee Benefits" issued by the ICAI, during Fiscal 2016.

Recent Accounting Pronouncements

Other than as described in this section and the section "***Risk Factors***" beginning on page 43, as at the date of this Preliminary Placement Document, there are no recent accounting pronouncements which could materially affect our financial condition or results of operations.

Significant developments after September 30, 2017 that may affect our future results of operations or financial condition

To our knowledge and belief, no circumstances other than as disclosed below and elsewhere in this Preliminary Placement Document have arisen since the date of the last financial statements included in the Preliminary Placement Document which materially affect, or are likely to affect, the trading and profitability of the Bank or our future results of operations or financial condition.

In November 2017, we sold 98,15,860 equity shares of our Associate, PNBHFL, representing 5.88% of our shareholding in that entity pursuant to which we received proceeds aggregating to ₹ 1,312.30 crore. As at the date of this Preliminary Placement Document, we hold approximately 32.97% of the issued and paid-up equity share capital of PNBHFL.

PNBHFL and PNBGL announced their unaudited standalone financial results for the six month period ended September 30, 2017 on October 25, 2017 and November 8, 2017, respectively. Each of these financial results were subjected to limited review by their respective statutory auditors in accordance with the SEBI Listing Regulations and in accordance with the applicable accounting standards. The unaudited standalone financial results of PNBHFL and PNBGL have been reproduced in the section ***"Financial Statements"*** on page 270**,** along with the respective limited reviewed reports issued in relation thereto.

SELECTED STATISTICAL INFORMATION

*The following unaudited information should be read together with our consolidated and unconsolidated financial statements, including the notes thereto included in the section "**Financial Statements**" and the section "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" beginning on pages 270 and 83, respectively.*

*We prepare our financial statements in accordance with Indian GAAP and all figures and ratios presented in this section are in accordance with Indian GAAP. The financial statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India. These requirements, guidelines and practices change from time to time and, in accordance with Indian GAAP, adjustments to reflect such changes are made on prospective basis and the financial statements for earlier periods are not restated. However, for the purposes of comparative analysis in the discussion below, previous years' figures have been reclassified wherever necessary. For further details, see "—**Basis of Presentation**" and "—**Summary of changes to classification**".*

Unless otherwise indicated, references to "the Bank", are to Punjab National Bank on a standalone basis and references to "the Group", "we", "us", "our", are to Punjab National Bank, its Subsidiaries, Associates and Joint Venture on a consolidated basis. Unless otherwise indicated, the financial information used in this section is derived from the Bank's limited reviewed unaudited condensed standalone financial statements as at and for the six month periods ended September 30, 2017 and September 30, 2016, and our audited standalone and consolidated financial statements as at and for the years ended March 31, 2017, 2016 and 2015.

Average balance sheet and net interest margin

The tables below set forth the Bank's average balances for interest-earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yield and average cost of average interest bearing liabilities, for the periods indicated.

Average Balance: The average balance in respect of total assets is the monthly average of balances outstanding, as reported to the RBI. In respect of the average balance of advances, investments and deposits, which are computed on the basis of daily average of balances outstanding, as reported to the RBI. All other average balances, such as average yields and average costs, are quarterly average of balances outstanding, as reported to the RBI.

Average Yield on Average Interest-Earning Assets: The average yield on average interest-earning assets is the ratio of interest income to average interest-earning assets.

Average Cost of Average Interest-Bearing Liabilities: The average cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. For purposes of calculating spread, interest bearing liabilities include non-interest bearing demand deposits.

The average balances in the table below include gross NPAs. We have not recalculated income that is subject to tax benefits on a tax-equivalent basis.

(₹ crore, except percentages)

Particulars	Fiscal								
		2017			2016			2015	
	Average balance	Interest income / expense	Average yield/ cost	Average balance	Interest income / expense	Average yield/ cost	Average balance	Interest income / expense	Average yield/ cost
Assets									
Advances	3,97,341	32,959	8.29	3,78,477	34,446	9.10	3,52,103	34,794	9.88
Investments	1,63,638	12,577	7.69	1,51,504	12,034	7.94	1,32,719	10,600	7.99
Others[(1)]	69,503	1,740	2.50	59,078	945	1.60	41,317	921	2.23
Total interest earning assets	**6,30,482**	**47,276**	**7.50**	**5,89,059**	**47,424**	**8.05**	**5,26,139**	**46,315**	**8.80**
Fixed assets	6,180			4,010			3,456		
Other assets	44,999			41,897			34,458		
Total assets	**7,01,105**			**6,51,470**			**5,79,181**		

Particulars	Fiscal								
	2017			2016			2015		
	Average balance	**Interest income / expense**	**Average yield/ cost**	**Average balance**	**Interest income / expense**	**Average yield/ cost**	**Average balance**	**Interest income / expense**	**Average yield/ cost**
Liabilities:									
Deposits	**5,61,543**	**29,934**	**5.33**	**5,09,869**	**29,803**	**5.85**	**4,53,295**	**27,621**	**6.09**
Demand deposits[(2)]	25,406	0	0.00	21,734	0	0.00	19,501	0	0.00
Savings deposits	1,85,805	7,410	3.99	1,51,298	6,045	4.00	1,38,033	5,494	3.98
Term deposits	3,50,333	22,523	6.43	3,36,837	23,758	7.05	2,95,761	22,127	7.48
Borrowings	**53,980**	**2,349**	**4.35**	**59,505**	**2,310**	**3.88**	**50,626**	**2,138**	**4.22**
Unsecured subordinated bonds	15,154	1,394	9.20	16,630	1,522	9.15	15,319	1,402	9.15
Other borrowings	38,825	955	2.46	42,875	788	1.84	35,306	736	2.09
Total interest bearing liabilities	**6,15,523**	**32,283**	**5.24**	**5,69,374**	**32,113**	**5.64**	**5,03,879**	**29,760**	**5.91**
Capital and reserves	**41,586**			**40,614**			**38,219**		
Other liabilities	**16,072**			**18,213**			**17,423**		
Total liabilities	**7,01,105**			**6,51,470**			**5,79,181**		
Net interest income[(3)]	**6,30,482**	**14,993**	**2.38**	**5,89,059**	**15,312**	**2.60**	**5,26,139**	**16,556**	**3.15**
Net interest margin[(4)]			**2.38**			**2.60**			**3.15**

*(1) Comprises overseas earning assets excluding advances, money at call and short notice and contribution to the Rural Infrastructure Development Fund ("**RIDF**").*
(2) Demand deposits do not bear interest.
(3) Net Interest income /earned less interest expense/expended.
(4) The net interest margin is the ratio of net interest income to total interest earning assets, expressed as a percentage.

(₹ crore, except percentages)

Particulars	Six month period ended September 30,					
	2017			2016		
	Average balance	**Interest income/ expense**	**Average yield/ cost**	**Average balance**	**Interest income/ expense**	**Average yield/ cost**
Assets						
Advances	4,08,911	16,203	7.92	3,97,523	16,977	8.54
Investments	1,86,779	6,931	7.42	1,44,592	5,695	7.88
Others [(1)]	83,119	1,302	3.13	68,124	734	2.15
Total interest earning assets	**6,78,809**	**24,436**	**7.20**	**6,10,240**	**23,405**	**7.67**
Fixed assets	6,434			6,164		
Other assets[(2)]	50,268			43,553		
Total assets	**7,28,661**			**6,59,581**		
Liabilities:						
Deposits	**6,03,885**	**15,261**	**5.05**	**5,39,739**	**14,608**	**5.41**
Demand deposits	28,402	0	0.00	22,662	0	0.00
Savings deposits	2,08,825	4,024	3.85	1,68,326	3,364	4.00
Term deposits	3,66,657	11,237	6.13	3,48,751	11,244	6.45
Borrowings	**54,055**	**1,305**	**4.83**	**55,709**	**1,218**	**4.37**
Unsecured subordinated bonds	17,233	792	9.19	15,240	703	9.22
Other borrowings	36,822	512	2.78	40,469	516	2.55
Total interest bearing liabilities	**6,57,940**	**16,565**	**5.04**	**5,95,448**	**15,826**	**5.32**
Capital and reserves	**43,147**			**41,045**		
Other liabilities	**16,207**			**16,044**		
Total liabilities	**7,28,661**			**6,59,581**		
Net interest income[(3)]	**6,78,809**	**7,870**	**2.32**	**6,10,240**	**7,579**	**2.48**
Net interest margin[(4)]			**2.32**			**2.48**

(1) Comprises overseas earning assets excluding advances, money at call and short notice and contribution to the RIDF.
(2) Demand deposits do not bear interest.
(3)Net Interest income /earned less interest expense/expended.
(4) The net interest margin is the ratio of net interest income to total interest earning assets, expressed as a percentage.

Analysis of changes in interest income and interest expense volume and rate analysis

The following table sets forth, for the periods indicated, the allocation of the changes in the Bank's interest income and interest expense between average balance and average rate. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes which are due to changes in both volume and rate have been allocated solely to changes in rate.

(₹ *crore, except percentages*)

Particulars	Fiscal						Six month period ended September 30,		
	2017 vs. 2016			2016 vs. 2015			2017 vs. 2016		
	Net change in interest income or expense	Change due to change in average volume	Change due to change in average rate	Net change in interest income or expense	Change due to change in average volume	Change due to change in average rate	Net change in interest income or expense	Change due to change in average volume	Change due to change in average rate
Interest income:									
Advances	-1,487	1,565	-3,051	-349	2,400	-2,749	-774	1,677	-2,451
Investments	544	933	-389	1,434	1,492	-58	1,236	1,895	-659
Others [(1)(2)]	795	261	534	24	284	-260	568	-99	667
Total interest earning assets	**-148**	**2,758**	**-2,907**	**1,109**	**4,177**	**-3,068**	**1,030**	**3,473**	**-2,442**
Interest expense									
Deposits	**131**	**2,755**	**-2,624**	**2,182**	**3,307**	**-1,125**	**653**	**2,590**	**-1,937**
Savings deposits	1,366	1,376	-11	550	530	20	660	901	-241
Term deposits	-1,235	868	-2,103	1,632	2,897	-1,266	-7	1,105	-1,112
Borrowings	**39**	**-240**	**280**	**172**	**345**	**-173**	**86**	**-166**	**253**
Unsecured redeemable bonds	-128	-136	8	120	120	0	90	94	-4
Other borrowings	167	-100	267	52	139	-88	-3	-98	95
Total interest bearing liabilities	**170**	**2,514**	**-2,344**	**2,354**	**3,652**	**-1,298**	**739**	**2,423**	**-1,684**
Net interest income	**-319**	**985**	**-1,304**	**-1,244**	**1,636**	**-2,879**	**291**	**1,299**	**-1,007**
Net interest margin	-0.22			-0.55			-0.16		

(1) The change due to change in average volume is calculated from the change in average balance over the two periods multiplied by the average rate in the earlier period, ignoring the variations for the period.
(2) The change due to change in average rate is the total change less the change due to change in volume.

Yield, spreads and margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on the Bank's interest-earning assets.

(₹ *crore, except percentages*)

Particulars	Six month period ended September 30,		Fiscal		
	2017	2016	2017	2016	2015
Interest income	24,435.66	23,405.30	47,275.99	47,424.35	46,315.36
Average interest-earning assets	6,78,809.10	6,10,239.91	6,30,481.70	5,89,058.73	5,26,138.68
Interest expense	16,565.34	15,826.45	32,282.82	32,112.57	29,759.79
Average interest-bearing liabilities[(1)]	6,57,939.54	5,95,448.00	6,15,523.07	5,69,373.83	5,03,878.63
Net interest income	7,870.32	7,578.84	14,993.17	15,311.78	16,555.57
Average total assets	7,50,175.09	6,75,812.00	7,01,104.90	6,51,469.95	5,79,180.68
Average interest-earning assets as a percentage of average total assets (%)	90.49%	90.30%	89.93%	90.42%	90.84%
Average interest-bearing liabilities as a percentage of average total assets (%)	87.70%	88.11%	87.79%	87.40%	87.00%
Average interest-bearing assets as a percentage of interest-bearing liabilities (%)	103.17%	102.48%	102.43%	103.46%	104.42%
Average yield[(2)]	7.20%	7.67%	7.50%	8.05%	8.80%
Average cost of funds[(3)]	5.04%	5.32%	5.24%	5.64%	5.91%
Spread[(4)]	2.16%	2.36%	2.25%	2.41%	2.90%
Net interest margin[(5)]	2.32%	2.48%	2.38%	2.60%	3.15%

[1)] Includes demand deposits.
[(2)] Average yield of interest earning assets.
[(3)] Average cost of interest bearing liabilities, expressed as a percentage, excluding equity and includes the cost of Tier 2 and subordinated bonds.
[(4)] Spread is the difference between yield on average interest earning assets and cost of funds, expressed as a percentage.
[(5)] Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-

earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

Financial ratios

The following table presents selected financial ratios, for the periods indicated.

(₹ *crore, except percentages*)

Particulars	Six month period ended September 30,		Fiscal		
	2017	2016	2017	2016	2015
Return on average equity[1]	4.19%	4.17%	3.19%	-9.78%	8.01%
Return on average assets[2]	0.25%	0.26%	0.19%	-0.62%	0.53%
Dividend payout ratio[3]	0.00%	0.00%	0.00%	0.00%	20.00%
Cost to average assets[4]	1.54%	1.74%	1.36%	1.55%	1.83%
Tier I capital adequacy ratio*	8.88%	8.78%	8.91%	8.41%	9.30%
Tier II capital adequacy ratio*	2.68%	2.87%	2.75%	2.87%	2.91%
Total capital adequacy ratio*	11.56%	11.65%	11.66%	11.28%	12.21%
Net NPAs ratio[5]	8.44%	9.10%	7.81%	8.61%	4.06%
Allowance as percentage of gross NPAs[6]	59.23%	53.32%	58.57%	51.06%	58.21%
Average net worth to total average assets[7]	5.92%	6.22%	6.04%	6.33%	6.67%
Credit to deposit ratio[8]	68.80%	68.49%	70.50%	78.80%	77.70%
Cost to income ratio[9]	46.35%	50.81%	39.17%	46.79%	46.74%
Other income to operating income ratio[10]	35.00%	32.86%	37.38%	28.15%	26.24%

** Under the Basel III Capital Regulations Notes*:

[1] *Return on average equity is the ratio of the net profit after tax to the quarterly average net worth (capital plus reserves).*

[2] *Return on average assets is the ratio of the net profit after tax to the quarterly average assets.*

[3] *Dividend payout ratio is the ratio of dividend to adjusted net profit (after exclusion of a one-off income item from net profit).*

[4] *Cost to average assets is the ratio of the operating expenses, excluding lease depreciation, to the quarterly average assets.*

[5] *Net NPAs ratio is the ratio of net NPAs divided by net advances.*

[6] *Allowance as a percentage of gross NPAs is the ratio of NPA provisions made to the gross NPAs.*

[7] *Average net worth to total average assets is the ratio of quarterly average capital and reserves divided by total quarterly average assets.*

[8] *Credit to deposit ratio is calculated as a ratio of total domestic advances excluding interbank advances to total domestic deposits excluding inter-bank deposits.*

[9] *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).*

[10] *Other income to operating income ratio is calculated as a ratio of other income divided by total operating income (total of net interest income and noninterest income)*

See "***Risk Factors—The implementation of Basel III Guidelines may adversely affect us and we may face certain difficulties in maintaining our prescribed capital adequacy ratios. Failure to comply with the capital adequacy requirements stipulated by the RBI may materially and adversely affect our business and operations***" on page 46.

Total domestic investment portfolio

The following table sets forth, as at the dates indicated, information relating to our domestic investment portfolio. Domestic investments constituted 97.42%, 97.43% and 98.27% of our investment portfolio as at March 31, 2017, 2016 and 2015, respectively.

(₹ crore, except percentages)

Particulars	As at March 31,											
	2017				2016				2015			
	Book Value	Market Value	Un-realized Gain	Un-realized Loss	Book Value	Market Value	Un-realized Gain	Un-realized Loss	Book Value	Market Value	Un-realized Gain	Un-realized Loss
Government Securities	1,46,541.82	1,49,052.54	3,128.96	618.24	1,24,950.63	1,25,921.36	1,257.11	286.38	1,23,953.80	1,24,670.10	1,169.67	453.36
Other debt securities	24,214.17	24,617.21	679.26	276.22	18,727.34	19,079.72	388.89	36.51	14,951.20	15,386.01	452.10	17.28
Total debt securities	**1,70,756.00**	**1,73,669.74**	**3,808.22**	**894.47**	**1,43,677.97**	**1,45,001.08**	**1,646.46**	**322.89**	**1,38,904.99**	**1,40,056.11**	**1,621.76**	**470.64**
Non-debt securities	6,522.76	5,601.85	1,115.23	2,036.14	5,800.25	4,868.85	837.48	1,768.88	4,477.61	3,923.77	750.68	1,304.53
Subsidiaries and associates-at cost	2,304.88	12,108.96	9,835.71	31.62	2,304.88	2,304.88	0.00	-	2,091.06	2,091.06	0.00	0.00
Others*	3,713.05	3,706.97	0.00	6.08	2,943.89	2,930.10	0.00	13.79	3,791.86	3,745.80	0.00	46.06
Total	**1,83,296.69**	**1,95,087.52**	**14,759.15**	**2,968.32**	**1,54,726.99**	**1,55,104.92**	**2,483.48**	**2,105.56**	**1,49,265.53**	**1,49,816.74**	**2,372.45**	**1,821.23**

** Includes our investments in certificates of deposits, commercial paper, units of mutual funds, pass through certificates, security receipts and deposits with NABARD, SIDBI and NHB under the priority/weaker section lending schemes.*

Available for sale investments

The following table sets forth, as at the dates indicated, information related to our domestic investments available for sale.

(₹ crore, except percentages)

Particulars	As at March 31,											
	2017				2016				2015			
	Book Value	Market Value	Un-realized Gain	Un-realized Loss	Book Value	Market Value	Un-realized Gain	Un-realized Loss	Book Value	Market Value	Un-realized Gain	Un-realized Loss
Government Securities	33,753.65	33,394.59	121.47	480.52	27,171.30	27,177.12	102.42	96.60	19,375.44	19,438.85	97.12	33.71
Other debt securities	22,754.98	23,185.65	676.79	246.13	18,220.14	18,572.52	388.89	36.51	14,810.02	15,244.84	452.10	17.28
Total debt securities	**56,508.63**	**56,580.24**	**798.26**	**726.65**	**45,391.43**	**45,749.64**	**491.31**	**133.11**	**34,185.47**	**34,683.69**	**549.21**	**50.99**
Non-debt securities	6,328.08	5,314.26	1,019.48	2,033.31	5,573.27	4,642.83	837.41	1,767.85	4,230.27	3,677.39	750.68	1,303.56
Subsidiaries and associates-at cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others*	2,768.90	2,762.82	0.00	6.08	2,943.89	2,930.10	-	13.79	700.33	654.27	0.00	46.06
Total	**65,605.61**	**64,657.31**	**1,817.74**	**2,766.04**	**53,908.60**	**53,322.57**	**1,328.72**	**1,914.75**	**39,116.06**	**39,015.35**	**1,299.90**	**1,400.61**

** Includes our investments in certificates of deposits, commercial paper, units of mutual funds, pass through certificates, security receipts and deposits with NABARD, SIDBI and NHB under the priority/weaker section lending schemes.*

Held to maturity investments

The following table sets forth, as at the dates indicated, information related to our domestic investments held to maturity ("**HTM**").

(₹ crore, except percentages)

Particulars	As at March 31,											
	2017				2016				2015			
	Book Value	Market Value	Un-realized Gain	Un-realized Loss	Book Value	Market Value	Un-realized Gain	Un-realized Loss	Book Value	Market Value	Un-realized Gain	Un-realized Loss
Government Securities	1,12,164.99	1,15,034.48	3,007.11	137.62	97,378.70	98,343.69	1,154.58	189.59	1,04,489.12	1,05,141.92	1,072.45	419.65
Other debt securities	1,459.19	1,431.56	2.46	30.10	507.20	507.20	-	-	141.17	141.17	0.00	0.00
Total debt securities	**1,13,624.18**	**1,16,466.03**	**3,009.57**	**167.72**	**97,885.90**	**98,850.89**	**1,154.58**	**189.59**	**1,04,630.29**	**1,05,283.09**	**1,072.45**	**419.65**
Non-debt securities	187.99	280.47	95.24	2.76	219.05	218.08	-	0.97	247.35	246.37	0.00	0.97
Subsidiaries and associates- at cost	2,304.88	12,108.96	9,835.71	31.62	2,304.88	2,304.88	-	-	2,091.06	2,091.06	0.00	0.00
Others*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**1,16,117.06**	**1,28,855.46**	**12,940.51**	**202.11**	**1,00,409.84**	**1,01,373.85**	**1,154.58**	**190.56**	**1,06,968.69**	**1,07,620.52**	**1,072.45**	**420.62**

** Includes our investments in certificates of deposits, commercial paper, units of mutual funds, pass through certificates, security receipts and deposits with NABARD, SIDBI and NHB under the priority/weaker section lending schemes.*

Held for trading investments

The following table sets forth, as at the dates indicated, information related to our domestic investments held to maturity.

(₹ crore, except percentages)

Particulars	As at March 31,											
	2017				2016				2015			
	Book Value	Market Value	Un-realized Gain	Un-realized Loss	Book Value	Market Value	Un-realized Gain	Un-realized Loss	Book Value	Market Value	Un-realized Gain	Un-realized Loss
Government Securities	623.18	623.47	0.39	0.10	400.63	400.56	0.12	0.19	89.24	89.33	0.09	0.00
Other debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total debt securities	**623.18**	**623.47**	**0.39**	**0.10**	**400.63**	**400.56**	**0.12**	**0.19**	**89.24**	**89.33**	**0.09**	**0.00**
Non-debt securities	6.69	7.12	0.51	0.07	7.92	7.94	0.07	0.05	0.00	0.00	0.00	0.00
Subsidiaries and associates- at cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others*	944.15	944.15	-	-	0.00	0.00	0.00	0.00	3,091.53	3,091.53	0.00	0.00
Total	**1,574.02**	**1,574.74**	**0.89**	**0.17**	**408.55**	**408.49**	**0.18**	**0.24**	**3,180.77**	**3,180.87**	**0.09**	**0.00**

** Includes our investments in certificates of deposits, commercial paper, units of mutual funds, pass through certificates, security receipts and deposits with NABARD, SIDBI and NHB under the priority/weaker section lending schemes.*

Residual maturity profile

The following tables set forth, as at the dates indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as available for sale securities and their weighted average market yields.

Available for sale

(*₹ crore, except percentages*)

Particulars	As at September 30, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	4,363.94	6.11	4,159.92	6.25	5,629.49	7.68	26,686.12	7.16
Other Debt Securities	139.82	8.70	1,618.63	7.97	20,045.62	7.38	6,438.86	8.19
Total Debt Securities - market value	4,504.66	6.19	5,786.29	6.73	25,827.37	7.45	33,428.95	7.36
Total Book Value	**4,503.76**	**6.19**	**5,778.56**	**6.73**	**25,675.11**	**7.45**	**33,124.98**	**7.36**

(*₹ crore, except percentages*)

Particulars	As at March 31, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	5,406.90	5.88	3,837.09	6.25	1,726.66	7.26	22,783.00	7.38
Other Debt Securities	109.99	8.96	1,214.94	8.40	13,951.42	7.75	7,478.64	8.62
Total Debt Securities - market value	5,516.95	5.95	5,059.57	6.77	15,784.31	7.70	30,219.41	7.70
Total Book Value	**5,516.89**	**5.95**	**5,052.03**	**6.77**	**15,678.08**	**7.70**	**30,261.64**	**7.69**

(*₹ crore, except percentages*)

Particulars	As at March 31, 2016							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	5,279.06	6.72	1,436.27	7.00	1,436.21	8.12	19,019.75	8.02
Other Debt Securities	1,047.55	8.32	452.25	8.59	11,114.74	8.50	5,605.60	9.10
Total Debt Securities - market value	6,331.30	6.99	1,903.63	7.38	12,688.98	8.46	24,825.73	8.27
Total Book Value	**6,326.61**	**6.99**	**1,888.53**	**7.38**	**12,550.95**	**8.46**	**24,625.35**	**8.26**

(*₹ crore, except percentages*)

Particulars	As at March 31, 2015							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	1,099.62	7.92	24.66	5.92	3,203.88	8.05	15,047.29	8.09
Other Debt Securities	552.88	8.33	1,453.21	9.06	6,820.70	8.84	5,983.23	8.03
Total Debt Securities - market value	1,656.15	8.05	1,483.26	9.01	10,175.98	8.59	21,368.31	8.07
Total Book Value	**1,652.50**	**8.05**	**1,477.86**	**9.01**	**10,024.58**	**8.59**	**21,030.53**	**8.07**

Held to maturity

The following tables set forth, as at the dates indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as held to maturity and their weighted average market yields.

(*₹ crore, except percentages*)

Particulars	As at September 30, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	594.16	8.37	4,028.86	7.90	33,794.35	7.46	76,826.68	7.33
Other Debt Securities	-	-	27.70	8.31	111.51	7.35	3,605.86	7.83

Particulars	As at September 30, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Total Debt Securities - market value	594.51	8.37	4,077.54	7.90	34,928.82	7.46	81,820.39	7.35
Total Book Value	**594.16**	**8.37**	**4,056.56**	**7.90**	**33,905.86**	**7.46**	**80,432.54**	**7.35**

(*₹ crore, except percentages*)

Particulars	As at March 31, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	230.51	8.40	2,290.30	7.71	28,565.14	7.45	81,079.04	7.54
Other Debt Securities	-	-	-	-	139.21	7.53	1,319.98	7.74
Total Debt Securities - market value	231.41	8.40	2,309.42	7.71	29,514.48	7.45	84,410.73	7.54
Total Book Value	**230.51**	**8.40**	**2,290.30**	**7.71**	**28,704.35**	**7.45**	**82,399.02**	**7.54**

(*₹ crore, except percentages*)

Particulars	As at March 31, 2016							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	660.32	10.59	2,811.12	8.01	28,779.94	7.45	65,127.33	8.08
Other Debt Securities	0.69	12.25	-	-	139.21	7.70	367.30	10.03
Total Debt Securities - market value	661.07	10.59	2,825.20	8.01	29,164.96	7.45	66,199.67	8.09
Total Book Value	**661.01**	**10.59**	**2,811.12**	**8.01**	**28,919.15**	**7.45**	**65,494.63**	**8.09**

(*₹ crore, except percentages*)

Particulars	As at March 31, 2015							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	294.70	7.78	1,981.93	9.19	31,409.58	7.48	70,802.90	8.05
Other Debt Securities	-	-	-	-	56.95	7.93	84.22	7.85
Total Debt Securities - market value	294.46	7.78	1,978.45	9.19	31,359.11	7.48	71,651.07	8.05
Total Book Value	**294.70**	**7.78**	**1,981.93**	**9.19**	**31,466.53**	**7.48**	**70,887.13**	**8.05**

Funding

Our funding operations are designed to optimize the cost of funding, ensure stability and effective liquidity management. The primary source of funding is deposits raised from retail and corporate customers, borrowings from the RBI and other financial institutions, profits from purchase and sale of investments, and the public and private issuance of bonds.

Total deposits

The following table sets forth, as at the dates indicated, the Bank's outstanding deposits and the percentage composition by each category of deposits.

(*₹ crore, except percentages*)

Particulars	As at September 30, 2017		As at March 31, 2017		2016		2015	
	Balance Outstanding	% of total	Balance Outstanding	% of total	Balance Outstanding	% of total	Balance Outstanding	% of total
Demand deposits								
Savings deposits	2,17,798.15	34.23%	2,15,405.64	34.21%	1,70,646.35	29.92%	1,51,081.77	29.32%
Current deposits	39,057.15	6.14%	46,913.92	7.45%	38,002.81	6.66%	34,543.98	6.70%
Term deposits	3,79,353.05	59.63%	3,67,331.30	58.34%	3,61,733.48	63.42%	3,29,619.68	63.97%
Total deposits	**6,36,208.35**	**100.00%**	**6,29,650.86**	**100.00%**	**5,70,382.64**	**100.00%**	**5,15,245.43**	**100.00%**

The average cost (i.e., interest expense divided by average of monthly balances) of savings deposits was 3.87%, 4.00%, 4.00% and 4.00% in the six month period ended September 30, 2017 and in Fiscals 2017, 2016 and 2015, respectively. The average cost of current deposits was 0.00% each, in the six month period ended September 30, 2017 and Fiscals 2017, 2016 and 2015, respectively. The average cost of term deposits was 6.13%, 6.43%, 7.05% and 7.48% in the six month period ended September 30, 2017 and Fiscals 2017, 2016 and 2015, respectively.

The following table sets forth, as at the dates indicated, the regional exposure of the Bank's domestic deposits.

(*₹ crore, except percentages*)

Geographic Distribution	As at September 30, 2017		As at March 31, 2017		2016		2015	
	Balance Outstanding	% of total	Balance Outstanding	% of total	Balance Outstanding	% of total	Balance Outstanding	% of total
Northern	2,50,953.09	43.36%	2,42,043.08	42.80%	2,11,809.30	42.89%	1,91,314.93	42.23%
Eastern	82,634.15	14.28%	81,646.91	14.44%	72,105.64	14.60%	65203.69	14.39%
Central	1,51,468.13	26.17%	1,60,155.43	28.32%	1,25,846.84	25.48%	1,09,690.56	24.21%
Western	60,357.10	10.43%	50,295.84	8.89%	55,265.47	11.19%	60,095.86	13.27%
Southern	33,327.88	5.76%	31,431.58	5.56%	28,828.20	5.84%	26,723.65	5.90%
Total	**5,78,740.34**	**100.00%**	**5,65,572.84**	**100.00**	**4,93,855.45**	**100.00%**	**4,53,028.68**	**100.00%**

Total borrowings

The following table sets forth, for the periods indicated, the Bank's average outstanding borrowings with and without Tier 2 bonds.

(*₹ crore, except percentages*)

Particulars	Six month period ended September 30, 2017		
	Average balance	Interest income/ expense	Average yield/ cost
Borrowings excluding Tier 2 bonds	42,945.45	794.71	3.70
Tier 2 bonds	11,109.09	510.29	9.19
Total borrowings	**54054.54**	**1305.00**	**4.83**

(*₹ crore, except percentages*)

Particulars	Fiscal 2017			2016			2015		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
Borrowings excluding Tier 2 bonds	42,470.01	1,296.12	3.05	46,395.20	1,118.18	2.41	37,474.20	946.18	2.52
Tier 2 bonds	11,509.99	1,052.88	9.15	13,109.80	1,191.82	9.09	13,109.80	1,191.82	9.09
Total borrowings	**53,980.00**	**2,349**	**4.35**	**59,505.00**	**2,310**	**3.88**	**50,584.00**	**2,138**	**4.23**

Short-term borrowings

The following table sets forth, for the periods indicated, information related to the Bank's domestic borrowings.

(*₹ crore, except percentages*)

Particulars	Six month period ended September 30, 2017	Fiscal 2017	2016	2015
Period end balance	NIL	NIL	19,691.59	NIL
Average balance for the period not captured[1]	51.26	398.34	687.99	2,243.89
Average interest rate for the period[2] (in percentage)	5.87	7.27	6.88	8.24
Interest at period end[3]	1.51	28.96	47.49	184.94

(1) Average daily balances outstanding.
(2) Represents the ratio of interest expense on short term-borrowings to the average of balances of short-term borrowings.
(3) Represents the total interest paid on account of short term borrowings for the period.

Subordinated debt

We also obtain funds from the issuance of unsecured non-convertible subordinated debt securities, which qualify as Tier 2 risk based capital under the RBI's guidelines for assessing capital adequacy. Subordinated debt Lower Tier 2 capital and Upper Tier 2 capital instruments outstanding as at September 30, 2017 were ₹5,000 crore and ₹6,110 crore.

The following table sets forth, as at the dates indicated, the details of subordinated debt issued by the Bank.

(₹ crore, except percentages)

Type	As at March 31, 2017					
	Issue Date	**Maturity Date**	**Interest Rate**	**Year of call**	**Step-up rate**	**Face Value**
			Lower tier II			
Series XIV	24-02-2014	24-02-2024	9.65%	NA	None	1,000
Series XV	28-03-2014	28-03-2024	9.68%	NA	None	500
Series XVI	03-04-2014	03-04-2024	9.68%	NA	None	500
Series XVII	09-09-2014	09-09-2024	9.35%	NA	None	500
Series XVIII	30-09-2014	30-09-2024	9.25%	NA	None	1,000
Series XIX	05-02-2016	05-02-2026	8.65%	NA	None	1,500
Upper Tier II						
Series-II	12-12-2007	12-12-2022	9.35%	12-12-2017	9.85%	500
Series-III	05-03-2008	05-03-2023	9.35%	05-03-2018	9.85%	510
Series-IV	27-03-2008	27-03-2023	9.45%	27-03-2018	9.95%	600
Series-V	29-09-2008	29-09-2023	10.85%	29-09-2018	11.35%	500
Series-VI	22-12-2008	22-12-2023	8.95%	22-12-2018	9.45%	500
Series-VII	18-02-2009	18-02-2023	9.15%	18-02-2019	9.65%	1,000
Series-VIII	21-04-2009	21-04-2024	8.80%	21-04-2019	9.30%	500
Series-IX	04-06-2009	04-06-2024	8.37%	04-06-2019	8.87%	500
Series-X	09-09-2009	09-09-2024	8.60%	09-09-2019	9.10%	500
Series-XI)	27-11-2009	27-11-2024	8.50%	27-11-2019	9.00%	500
Series-XII	24-05-2010	24-05-2025	8.50%	24-05-2020	9.00%	500

Type	As at September 30, 2017					
	Issue Date	**Maturity Date**	**Interest Rate**	**Year of call**	**Step-up rate**	**Face Value**
Series XIV	24-02-2014	24-02-2024	9.65%	NA	None	1,000
Series XV	28-03-2014	28-03-2024	9.68%	NA	None	500
Series XVI	03-04-2014	03-04-2024	9.68%	NA	None	500
Series XVII	09-09-2014	09-09-2024	9.35%	NA	None	500
Series XVIII	30-09-2014	30-09-2024	9.25%	NA	None	1,000
Series XIX	05-02-2016	05-02-2026	8.65%	NA	None	1,500
				Upper Tier II		
Series-II	12-12-2007	12-12-2022	9.35%	12-12-2017	9.85%	500
Series-III	05-03-2008	05-03-2023	9.35%	05-03-2018	9.85%	510
Series-IV	27-03-2008	27-03-2023	9.45%	27-03-2018	9.95%	600
Series-V	29-09-2008	29-09-2023	10.85%	29-09-2018	11.35%	500
Series-VI	22-12-2008	22-12-2023	8.95%	22-12-2018	9.45%	500
Series-VII	18-02-2009	18-02-2023	9.15%	18-02-2019	9.65%	1,000
Series-VIII	21-04-2009	21-04-2024	8.80%	21-04-2019	9.30%	500
Series-IX	04-06-2009	04-06-2024	8.37%	04-06-2019	8.87%	500
Series-X	09-09-2009	09-09-2024	8.60%	09-09-2019	9.10%	500
Series-XI)	27-11-2009	27-11-2024	8.50%	27-11-2019	9.00%	500
Series-XII	24-05-2010	24-05-2025	8.50%	24-05-2020	9.00%	500

Interest coverage ratio

The following table sets forth information with respect to the Bank's interest coverage ratio, for the periods indicated. This ratio is typically used to measure the debt servicing ability of a traditional corporate entity and is generally not relevant to a banking entity.

(₹ crore, except percentages)

Particulars	Six month period ended September 30,		Fiscal		
	2017	**2016**	**2017**	**2016**	**2015**
(i) Net profit	903.98	855.72	1,324.80	(3,973.57)	3,061.58
(ii)Depreciation on Bank's property	282.00	200.78	425.04	395.73	370.23
(iii) Interest expended	16,565.34	15,826.45	32,282.82	32,112.57	29,759.79
Total [(i) + (ii) + (iii)]	**17,751.33**	**16,882.96**	**34,032.66**	**28,534.74**	**33,191.60**
Interest coverage ratio [(iv) ÷ (iii)]	**1.07**	**1.07**	**1.05**	**0.89**	**1.12**

Asset liability gap

The following tables set forth, as at the dates indicated, the Bank's asset-liability gap position.

(₹ crore, except percentages)

Particulars	As at September 30, 2017[1]								
	Total	**1-14 days**	**15-28 days**	**29 days to 3 months**	**3 months to 6 months**	**6 months to 12 months**	**1 year to 3 years**	**3 years to 5 years**	**Over 5 years**
Outflows									
Capital	425.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	425.59
Reserves and surplus	43,348.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	43,348.28
Deposits[2]	6,36,208.35	30,579.08	11,444.66	52,575.12	46,806.97	59,153.49	1,66,948.93	91,385.90	1,77,314.21
Borrowings	36,349.58	923.56	1,621.90	7,906.82	6,781.65	8,656.21	3,580.87	1,697.97	5,180.61
Other liabilities and provisions	15,783.73	4,403.77	375.32	4,963.58	150.90	775.34	3,713.65	0.00	1,401.19
A. Total Outflows	7,32,115.53	35,906.41	13,441.87	65,445.52	53,739.52	68,585.03	1,74,243.44	93,083.87	2,27,669.87
B. Cumulative Outflows		35,906.41	49,348.28	1,14,793.80	1,68,533.32	2,37,118.35	4,11,361.80	5,04,445.66	7,32,115.53
Inflows									
Cash[3]	2,197.18	2,197.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Balances with RBI[4]	24,294.71	1,092.93	805.28	1,831.19	1,727.04	2,162.45	9,115.63	285.18	7,275.01
Balances with other Banks	55,779.01	10,881.98	3,534.64	16,275.17	5,264.81	11,302.63	3,154.90	5,364.88	0.00
Investments (performing) [5][6][7]	2,10,570.52	57,262.72	1,942.36	7,993.40	12,615.01	14,065.66	33,889.94	34,853.75	47,947.69
Advances (performing)	3,75,695.48	41,524.10	11,739.34	27,798.95	19,060.03	21,854.26	1,88,014.92	23,366.84	42,337.04
Net NPAs[8]	34,570.15	0.00	0.00	0.00	0.00	0.00	0.00	13,881.71	20,688.44
Fixed assets	6,455.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,455.92
Other assets[9]	22,552.56	1,168.20	2,022.16	13.30	63.34	0.00	152.88	0.00	19,132.66
C. Total inflows	7,32,115.53	1,14,127.11	20,043.78	53,912.02	38,730.23	49,385.00	2,34,328.27	77,752.37	1,43,836.76
D. Asset/ liability gap (C-A)		78,220.70	6,601.91	-11,533.50	-15,009.29	-19,200.04	60,084.83	-15,331.50	-83,833.11
E. Percentage asset/liability gap (D as a percentage of A)		2.18	0.49	-0.18	-0.28	-0.28	0.34	-0.16	-0.37
F. Cumulative asset/liability gap (D cumulative)		78,220.70	84,822.61	73,289.11	58,279.82	39,079.78	99,164.61	83,833.11	0.00
G. Percentage cumulative asset/liability gap (F as a percentage of B)		2.18	1.72	0.64	0.35	0.16	0.24	0.17	0.00

(1) *Assets and liabilities are classified in the applicable maturity buckets based on residual maturity unless specifically mentioned.*
(2) *Deposit maturities are prescribed by the RBI for demand and savings deposits. For term deposits, we have allocated the maturity by the given term of the account, taking into consideration the projected renewal rate based on previous trends.*
(3) *Cash on hand is classified in the 1-14 day maturity category.*
(4) *Cash and cash equivalents include balances with the RBI to satisfy cash reserve ratio requirements. These balances are held in the form of overnight cash deposits but we classify these balances in the applicable maturity buckets on a basis proportionate to the classification of related deposits.*
(5) *Securities in the trading book are classified in the 1-14 day maturity bucket.*
(6) *Securities held towards satisfying the statutory liquidity ratio (SLR) prescribed by the RBI are classified in the applicable maturity buckets.*
(7) *Shares and units of open ended mutual funds are classified in the 1-14 day maturity category.*
(8) *Net non-performing loans are classified in the >3 to 5 years bucket for substandard assets and over 5 years for all other assets. These net non-performing loans are net of the float provision.*
(9) *Other assets include interest accrued on advances which is placed in the 1-14 day maturity category, interest accrued on investments as per due dates, tax assets allocated on the timetable of refunds expected and others as the inflow is expected.*

(₹ crore, except percentages)

Particulars	As at March 31, 2017[1]								
	Total	1-14 days	15-28 days	29 days to 3 months	3 months to 6 months	6 months to 12 months	1 year to 3 years	3 years to 5 years	Over 5 years
Outflows									
Capital	425.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	425.59
Reserves and surplus	41,421.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41,421.39
Deposits[2]	6,21,704.02	29,952.58	12,782.24	45,380.43	49,113.24	55,848.82	2,55,172.47	6,516.46	1,66,937.77
Borrowings	40,763.33	3,493.63	0.00	8,742.19	5,711.72	2,084.63	7,514.55	13,216.62	0.00
Other liabilities and provisions	16,016.21	1,469.75	486.15	547.93	7.18	21.15	10,456.86	0.00	3,027.19
A. Total Outflows	7,20,330.55	34,915.95	13,268.40	54,670.55	54,832.13	57,954.61	2,73,143.87	19,733.08	2,11,811.95
B. Cumulative Outflows		34,915.95	48,184.35	1,02,854.90	1,57,687.04	2,15,641.65	4,88,785.52	5,08,518.60	7,20,330.55
Inflows									
Cash[3]	2,098.48	2,098.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Balances with RBI[4]	23,111.52	1,047.11	1,137.11	1,476.62	1,264.08	1,887.17	9,838.35	235.85	6,225.23
Balances with other Banks	63,121.65	4,993.51	0.00	42,504.93	0.00	3,325.73	4,317.14	7,980.33	0.00
Investments (performing) [5][6][7]	1,86,725.44	49,964.73	1,916.20	6,051.31	7,167.86	10,098.59	55,747.10	6,738.55	49,041.10
Advances (performing)	3,86,791.04	41,898.98	22,113.93	22,324.44	12,739.19	22,208.71	2,08,950.92	20,238.88	36,315.99
Net NPAs[8]	32,702.11	0.00	0.00	0.00	0.00	0.00	0.00	12,013.67	20,688.44
Fixed assets	6,273.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,273.25
Other assets[9]	19,507.06	628.12	1,465.21	7.38	1,209.27	951.99	0.00	0.00	15,245.09
C. Total inflows	7,20,330.55	1,00,630.93	26,632.44	72,364.69	22,380.40	38,472.20	2,78,853.51	47,207.28	1,33,789.09
D. Asset/ liability gap (C-A)		65,714.98	13,364.05	17,694.13	-32,451.74	-19,482.41	5,709.63	27,474.20	-78,022.86
E. Percentage asset/liability gap (D as a percentage of A)		188.21%	100.72%	32.37%	-59.18%	-33.62%	2.09%	139.23%	-36.84%
F. Cumulative asset/liability gap (D cumulative)		65,714.98	79,079.03	96,773.16	64,321.42	44,839.02	50,548.65	78,022.86	0.00
G. Percentage cumulative asset/liability gap (F as a percentage of B)		188.21%	164.12%	94.09%	40.79%	20.79%	10.34%	15.34%	0.00%

(1) Assets and liabilities are classified in the applicable maturity buckets based on residual maturity unless specifically mentioned.

(2) Deposit maturities are prescribed by the RBI for demand and savings deposits. For term deposits, we have allocated the maturity by the given term of the account, taking into consideration the projected renewal rate based on previous trends.

(3) Cash on hand is classified in the 1-14 day maturity category.

(4) Cash and cash equivalents include balances with the RBI to satisfy cash reserve ratio requirements. These balances are held in the form of overnight cash deposits but we classify these balances in the applicable maturity buckets on a basis proportionate to the classification of related deposits.

(5) Securities in the trading book are classified in the 1-14 day maturity bucket.

(6) Securities held towards satisfying the statutory liquidity ratio (SLR) prescribed by the RBI are classified in the applicable maturity buckets.

(7) Shares and units of open ended mutual funds are classified in the 1-14 day maturity category.

(8) Net non-performing loans are classified in the >3 to 5 years bucket for substandard assets and over 5 years for all other assets. These net non-performing loans are net of the float provision.

(9) *Other assets include interest accrued on advances which is placed in the 1-14 day maturity category, interest accrued on investments as per due dates, tax assets allocated on the timetable of refunds expected and others as the inflow is expected.*

See "***Risk Factors—We may face asset-liability mismatches, which could affect our liquidity and profitability***" on page 53.

Maturity and interest rate sensitivity of loans

The following tables set forth the maturity and interest rate sensitivity of the Bank's loans as at September 30, 2017 and March 31, 2017, respectively.

(*₹ crore, except percentages*)

Particulars	As at September 30, 2017			As at March 31, 2017		
	Due in one year or less	Due in one to five years	Due after five years	Due in one year or less	Due in one to five years	Due after five years
Interest rate classification of loans by maturity						
Fixed rates	12,155.95	11,577.98	53,398.65	16,009.27	16,290.75	68,216.19
Variable rates	1,16,620.01	60,296.29	1,78,936.55	98,720.32	67,122.93	1,75,391.90
Gross loans	**1,28,775.96**	**71,874.27**	**2,32,335.20**	**1,14,729.59**	**83,413.68**	**2,43,608.09**

Loan portfolio

As at September 30, 2017, the Bank's total outstanding loan portfolio was ₹4,32,985.43 crore. Almost all the Bank's gross loans are to borrowers in India and approximately 90% were denominated in rupees, as at September 30, 2017.

The following table sets forth, for the periods indicated, the Bank's loan portfolio classified by product group. For further details, see the section "***Our Business***".

(*₹ crore, except percentages*)

Particulars	As at September 30, 2017		As at March 31,					
			2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Large Corporate (A)	1,46,403.10	33.81%	1,52,617.91	34.55%	1,50,595.13	34.80%	1,33,072.09	33.91%
Mid Corporate (B)	36,600.78	8.45%	38,154.48	8.64%	37,648.78	8.70%	33,268.02	8.48%
Corporate Loans (A + B)	183,003.88	42.27%	1,90,772.39	43.19%	1,88,243.91	43.50%	1,66,340.12	42.39%
MSE Loans	66,605.00	15.38%	66,346.00	15.02%	65,676.00	15.18%	60,229.00	15.35%
Agriculture loans	67,503.00	15.59%	65,629.00	14.86%	62,604.00	14.47%	59,157.00	15.07%
Retail loans	71,173.00	16.44%	65,982.00	14.94%	57,801.00	13.36%	48,415.00	12.34%
Food advances and others	2,697.00	0.62%	3,021.00	0.68%	5,524.00	1.28%	5,846.00	1.49%
Total domestic loans	3,90,981.88	90.30%	3,91,750.39	88.68%	3,79,848.91	87.77%	3,39,987.12	86.64%
International loans	42,003.55	9.70%	50,000.97	11.32%	52,926.13	12.23%	52,435.03	13.36%
Total	**4,32,985.43**	**100.00%**	**4,41,751.36**	**100.00%**	**4,32,775.04**	**100.00%**	**3,92,422.15**	**100.00%**

Concentration of loans and credit substitutes

Pursuant to RBI guidelines, exposure ceilings are 15.0% of capital funds in the case of a single borrower and 40.0% in the case of a borrower group.

The single borrower exposure limit is extendable by another 5.0%, up to 20.0% of capital funds. The borrower group exposure limit is extendable by another 10.0%, up to 50.0% of capital funds, provided that the additional exposure is for the purpose of financing infrastructure projects. In addition, a bank may, in exceptional circumstances and with the approval of its board of directors, consider further increasing its exposure to a single borrower up to a maximum of an additional 5.0% of its capital funds, subject to the borrower consenting to the bank making appropriate disclosure about the borrower in its annual report.

RBI norms specify exposure to capital market, real estate, sensitive commodities listed by the RBI, venture capital funds, stockbrokers, financing for acquisition of overseas entities, and credit to overseas joint ventures. The following table sets forth, for the dates indicated, our ten largest single and group exposures as determined by the RBI guidelines, which includes principal outstanding, interest and other dues on advances, investments and 100% of the outstanding amount of non-fund based exposure or the limit, whichever is higher.

The following table sets forth, for the periods indicated, our ten largest fund-based industry exposures based on accounts with total credit limits (fund and non-fund based), or total outstanding (fund and non-fund based) of ₹ 1 crore and above. The exposure to the relevant industry is calculated by adding the fund-based outstanding of the accounts in each industry of ₹ 1 crore or above.

The table sets forth the percentage of each of the top ten industry exposures to the Bank's total credit exposure in respect of accounts larger than ₹ 1 crore as at the dates indicated.

(*₹ crore, except percentages*)

Industry	**As at September 30, 2017**		**As at March 31,**					
			2017		**2016**		**2015**	
	Exposure	**% of Total Exposure**	**Exposure**	**% of Total Exposure**	**Exposure**	**% of Total Exposure**	**Exposure**	**% of Total Exposure**
Food Processing	11,836.12	6.09%	13,721.20	6.96%	15,855.97	8.14%	20,940.83	11.48%
Textiles	12,051.53	6.21%	13,160.29	6.68%	12,985.35	6.66%	12,097.19	6.63%
Chemical & Chemical Products	10,780.70	5.55%	9,380.07	4.76%	8,185.68	4.20%	5,516.06	3.03%
Cement & Cement Products	2,192.03	1.13%	2,561.07	1.30%	2,465.81	1.27%	2,837.42	1.56%
Basic Metal & Metal Products	37,934.01	19.53%	37,562.28	19.06%	37,550.09	19.27%	16,501.97	9.05%
-Iron & Steel	33,927.38		34,659.87		34,878.05		14,082.56	
Paper & Paper Products	1,698.35	0.87%	1,710.49	0.87%	1,811.47	0.93%	1,669.74	0.92%
Petroleum	2,407.21	1.24%	3,245.26	1.65%	3,344.67	1.72%	1,723.66	0.95%
All Engineering Products	12,876.86	6.63%	11,961.26	6.07%	11,707.50	6.01%	5,270.27	2.89%
Vehicles & Vehicle parts	818.50	0.42%	1,135.52	0.58%	981.94	0.50%	1,270.63	0.70%
Construction	6,996.50	3.60%	6,807.71	3.45%	6,357.86	3.26%	4,083.14	2.24%
Infrastructure	63,599.36	32.75%	66,160.27	33.57%	60,722.03	31.16%	80,472.35	44.13%
Others	31,018.48	15.97%	29,668.81	15.05%	32,929.01	16.90%	29,962.05	16.43%
Industry Total	**1,94,209.65**	**100.00%**	**1,97,074.23**	**100.00%**	**1,94,897.38**	**100.00%**	**1,82,345.31**	**100.00%**

See "***Risk Factors—Deterioration in the performance of certain industry sectors where we have significant exposure may adversely affect our business.***" and "***Risk Factors—We have a high concentration of loans to certain customers and if a substantial portion of these loans were to become non-performing, the quality of our loan portfolio could be adversely affected. In addition, we are exposed to risks relating to concentration of our NPAs***" on pages 50 and 45.

Regional concentration

Our widespread branch network enables us to diversify our lending risks geographically. The following table presents an analysis of the Bank's domestic advances by region as at the dates indicated.

(*₹ crore, except percentages*)

Circle	**As at September 30, 2017**	**As at March 31, 2017**	**2016**	**2015**
Northern Region	1,63,890.94	1,67,569.66	1,68,316.00	1,50,258.68
Eastern Region	35,542.37	34,882.27	33,974.69	32,855.01
Central Region	68,041.03	68,549.15	63,767.77	58,420.60
Western Region	93,453.11	92,854.53	81,783.54	65,805.42
Southern Region	55,645.32	50,621.09	49,335.66	45,984.30
Total	**4,16,572.77**	**4,14,476.71**	**3,97,177.66**	**3,53,324.01**

See "***Risk Factors—We are exposed to risks related to geographic concentration of our loan portfolio in the northern states of India***" on page 58.

The following table sets forth, for the periods indicated, the Bank's ten largest single and group exposures as determined by the RBI guidelines, which includes principal outstanding, interest and other dues on advances, investments and 100% of the outstanding amount of non-fund based exposure or the limit, whichever is higher.

(*₹ crore, except percentages*)

Particulars	**Six month period ended September 30, 2017**			**Particulars**	**Fiscal 2017**		
	Exposure	**% of total outstanding exposure**	**% of capital funds**		**Exposure**	**% of total outstanding exposure**	**% of capital funds**
Borrower 1	9,580.00	15.49	17.81%	Borrower 1	6,886.35	12.94	12.97
Borrower 2	8,503.62	13.75	15.81%	Borrower 2	6,711.20	12.61	12.64
Borrower 3	7,089.45	11.46	13.18%	Borrower 3	6,500.11	12.22	12.24

Particulars	Six month period ended September 30, 2017			Particulars	Fiscal 2017		
	Exposure	% of total outstanding exposure	% of capital funds		Exposure	% of total outstanding exposure	% of capital funds
Borrower 4	6,708.89	10.85	12.47%	Borrower 4	6,309.28	11.86	11.88
Borrower 5	6,469.12	10.46	12.03%	Borrower 5	6,006.40	11.29	11.31
Borrower 6	5,488.75	8.87	10.21%	Borrower 6	4,773.35	8.97	8.99
Borrower 7	5,187.09	8.39	9.64%	Borrower 7	4,714.51	8.86	8.88
Borrower 8	5,116.32	8.27	9.51%	Borrower 8	3,923.01	7.37	7.39
Borrower 9	3,933.97	6.36	7.31%	Borrower 9	3,812.52	7.17	7.18
Borrower 10	3,768.88	6.09	7.01%	Borrower 10	3,565.00	6.70	6.71
Total	**61,846.09**			**Total**	**53,201.73**		

The following table sets forth the percentage share of the ten largest borrowers in the following industries of the total exposure of the respective industry as at September 30, 2017.

(*₹ crore, except percentages*)

Industry	Total Industry Exposure	% Exposure of top 10 borrowers to the Industry
Infrastructure(1)	63,599.36	9.90%
Iron & Steel	33,927.38	24.14%
Textiles	12,051.53	3.74%
Petroleum & Petrochemicals	2,407.21	50.69%
Engineering	12,876.86	9.03%
Other Industries	87,691.21	1.02%
Services	77,497.10	13.82%
Trade	30,013.75	15.70%
Real Estate – construction	4,725.65	30.32%
Real Estate – mortgage	5,871.33	26.91%
Home Loans	38,630.00	1.41%
Automobile Loans	5,841.00	0.51%
Other Retails Loans	26,702.00	3.93%
Agriculture	67,503.00	1.32%
Total	**4,69,337.38**	

(1) Includes the telecom and power sectors.

See "***Risk Factors—Deterioration in the performance of certain industry sectors where we have significant exposure may adversely affect our business***" and "***Risk Factors—We have a high concentration of loans to certain customers and if a substantial portion of these loans were to become non-performing, the quality of our loan portfolio could be adversely affected. In addition, we are exposed to risks relating to concentration of our NPAs***" on pages 50 and 45, respectively.

Maturity and interest rate sensitivity of loans

The following table sets forth the maturity and interest rate sensitivity of the Bank's loans as at the dates indicated.

(*₹ crore, except percentages*)

Particulars	As at September 30, 2017			As at March 31, 2017		
	Due in one year or less	Due in one to five years	Due after five years	Due in one year or less	Due in one to five years	Due after five years
Interest rate classification of loans by maturity						
Fixed rates	12,155.95	11,577.98	53,398.65	16,009.27	16,290.75	68,216.19
Variable rates	1,16,620.01	60,296.29	1,78,936.55	98,720.32	67,122.93	1,75,391.90
Gross loans	1,28,775.96	71,874.27	2,32,335.20	1,14,729.59	83,413.68	2,43,608.09

Security

The table below shows the amount of the Bank's advances which are secured or covered by guarantees, as at the dates indicated.

(₹ *crore, except percentages*)

Particulars	As at September 30, 2017		As at March 31, 2017		2016		2015	
	Amount	% of advances	Amount	% of advances	Amount	% of advances	Amount	% of advances
Secured by tangible assets (including advances against book debts)	3,55,878	87%	3,60,740.722	86%	3,73,150.6	90%	3,37,813.4	89%
Covered by bank or Government guarantees	11,529.14	3%	10,891.51733	3%	10,100.71	2%	20,337.95	5%
Unsecured	42,858.46	10%	47,860.9103	11%	29,074.49	7%	22,383.01	6%
Total	**4,10,265.6**	**100%**	**4,19,493.1496**	**100%**	**4,12,325.8**	**100%**	**38,0534.4**	**100%**

See "***Risk Factors—Our unsecured loan portfolio is not supported by any collateral to ensure repayment of the loan, and any such non-payment may adversely affect our financial condition***" on page 59.

Priority sector lending

As stipulated by the RBI, commercial banks in India are required to lend, through advances or investment, 40% of their adjusted net bank credit or credit equivalent amount of off-balance sheet exposures, whichever is higher, to specified sectors known as "priority sectors," subject to certain exemptions permitted by RBI from time to time. Priority sector advances include advances to the agriculture sector, micro and small enterprises, weaker sections, housing and education finance up to certain ceilings. We are required to comply with the priority sector lending requirements in each fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the Rural Infrastructure Development Fund established by NABARD or funds with other financial institutions as specified by the RBI.

See "***Risk Factors—Indian regulations impose requirements for minimum advances to certain sectors which may subject us to higher delinquency rates. Our inability to comply with Indian priority sector lending requirements may compel us to invest in funds with a lower return than it would otherwise obtain in the market***" on page 64.

A breakdown of the Bank's priority sector lending in the form of gross advances, for the periods indicated, is set out below.

(₹ *crore, except percentages*)

Particulars	Six month period ended September 30, 2017		Fiscal 2017		2016		2015	
	Amount	% of advances	Amount	% of advances	Amount	% of advances	Amount	% of advances
Agriculture advances	67,503	46.02%	65,629	46.80%	62,604	44.96%	59,157	46.63%
MSME	59,403	40.50%	58,570	41.76%	62,857	45.15%	53,273	41.99%
Others	19,773	13.48%	16,040	11.44%	13,772	9.89%	14,443	11.38%
Total priority sector lending	**1,46,679**	**100%**	**1,40,239**	**100%**	**1,39,233**	**100%**	**1,26,873**	**100%**

NPAs

We have, in the past suffered losses through impairment of loans as some borrowers were impacted by adverse economic conditions and slow industrial and business growth in recent years, increased competition, regulatory changes, high levels of debt involved in financing of projects, lack of availability of credit, significant borrowings by companies in India at relatively high interest rates and volatility in industrial growth and commodity prices. We have adopted measures to refine our credit selection processes and appraisal capabilities, including recovery strategies. Certain of the major strategies and initiatives that we have taken are provided set forth below.

- Launched a dedicated cell within our recovery division with seven senior officers and headed by a general manager for intensive daily monitoring of accounts and ensuring due compliance of directions for targeted accounts and otherwise for resolution of NPAs.

- Dedicated desk of three assistant general managers monitor NPA accounts of ₹1 crore and above.
- *Mega Rin Mukti Shivirs* are now being held on each Monday to give further impetus to recovery under small ticket loans amount to get maximum benefit of the special one-time settlement schemes which have been launched for a limited period.
- Introduction of "recovery champions" to felicitate the outstanding performers in the field of recoveries in NPA accounts on a monthly, quarterly and yearly basis.
- Use of social media to create awareness and monitoring the daily progress in NPA recovery.
- Launched a call center to regularly monitor recovery with respect to NPA account up to ₹ 1 crore. The call center is being coordinated and monitored by our recovery division.
- Circle offices to post an officer exclusively for recovery in branches which account for the top 50 NPA accounts.
- Identification and initiation of action under various regulations in place, including the IBC and SARFAESI, with a focus on physical possession and sale of secured assets.
- Initiation of action declaring identified borrowers as willful defaulters and initiation of criminal action for fraud, once detected, for quick recovery process.
- Activating nodal officers or advocates for expediting cases in debt recovery tribunals.
- Sale of assets to asset reconstruction companies if accounts are difficult to resolve.
- Optimum use of online portals for monitoring accounts including the SARFAESI Portal and debt recovery tribunal portal.

The Bank's ratio of gross NPAs to gross advances was 13.31% as at September 30, 2017 and the Bank's net NPAs amounted to 8.44% of its net advances. In addition, we have restructured the payment terms of certain of our loans. As at September 30, 2017, such restructured loans represented 2.41% of the Bank's gross advances. Our Gross NPAs were 12.53% of total advances as at March 31, 2017 and 12.90% as at March 31, 2016 and our Net NPA was 7.81% as at March 31, 2017 and 8.61% as at March 31, 2016. We believe that our NPAs have reduced since Fiscal 2016 as a result of the steps taken by us to diversify and improve the quality of our loan portfolio. We have also implemented certain initiatives to control slippages, as a result of which our fresh slippages have decreased to ₹8,448.79 crore during the six month period ended September 30, 2017 from *₹11,244.57 crore during the six month period ended September 30, 2016 and to* ₹20,251.53 crore during Fiscal 2017 from ₹41,059.83 crore during Fiscal 2016.

Also see "***Risk Factors—We have a high concentration of loans to certain customers and if a substantial portion of these loans were to become nonperforming, the quality of our loan portfolio could be adversely affected. In addition, we are exposed to risks relating to concentration of our NPAs***" and "***Risk Factors—We are exposed to risks related to high levels of customer default and the resulting increase in NPAs as well as the provisions required under the requirements mandated by the RBI***" on pages 45 and 44, respectively.

The following table sets forth, as at the dates indicated, information about the Bank's NPA portfolio.

(*₹ crore, except percentages*)

Particulars	As at September 30, 2017	As at March 31, 2017	2016	2015
Gross NPAs	57,630.11	55,370.45	55,818.33	25,694.86
Specific provisions	22,244.67	21,683.24	19,494.18	9,441.51
Floating provisions	360.25	360.25	360.25	360.25
NPA net of provisions(NNPA)	34,570.15	32,702.11	35,422.57	15,396.50
Gross customer assets	4,32,985.43	4,41,751.36	4,32,775.04	3,92,422.15
Net customer assets	4,09,450.34	4,18,508.04	4,11,424.21	3,79,677.55
Gross NPAs/gross customer assets (%)	13.31	12.53	12.90	6.55
Net NPAs/net customer assets (%)	8.44	7.81	8.61	4.06
Specific provision as a percentage of gross NPAs	38.60	39.16	34.92	36.74
Total provisions as a percentage of gross NPAs	39.22	39.81	35.57	38.15

Provisioning coverage ratio and provisions for NPAs

The Bank's net provisioning coverage ratio (including technical written off amount) computed as per the RBI guidelines ("**PCR**") during the six month period ended September 30, 2017 was 59.23% and our PCR during

Fiscals 2017, 2016 and 2015, was 58.57%, 51.06% and 58.21%, respectively. The following table sets forth, for the periods indicated, information about our NPA provisions.

(*₹ crore, except percentages*)

Particulars	Six months ended September 30, 2017	Fiscal 2017	2016	2015
Specific provision at the beginning of the year	21,683.24	19,494.18	9,441.51	8,376.91
Addition during the year	5,944.71	15,881.23	18,145.19	9,159.91
Reduction during the period	5,383.28	13,692.17	8,092.52	8,095.31
Specific provision at the end	22,244.67	21,683.24	19,494.18	9,441.51
Floating provision	360.25	360.25	360.25	360.25

The table sets forth the details of the movement in NPAs for Fiscals 2017 and 2016.

(*₹ crore, except percentages*)

Particulars	Fiscal							
	2017							2016
	Large corporate	Mid corporate	SME	Agriculture	Retail	International	Total	Total
Cash Recovery	8,280.75	-	1,057.60	987.89	183.50	166.91	10,676.65	4,261.88
Upgradation	2,168.67	-	197.68	347.36	266.98	0	2,980.69	1,381.66
Write Off	7,185.91	-	1,670.47	197.01	103.07	48.66	9,205.12	6,484.79
Gross Reduction	17,635.33	-	2,925.75	1,532.26	553.55	215.57	22,862.46	12,128.33
Fresh Slippages	14,219.12	-	2,078.02	3,777.73	1,268.59	1,071.12	22,414.58	42,251.80
Net Increase/ (Decrease)	-3,416.21	-	-847.73	2,245.47	715.04	855.55	-447.88	30,123.47
Gross NPA%	**18.02**	**-**	**13.11**	**8.53**	**3.43**	**4.39**	**12.53**	**12.90**

A subcommittee of the Board has been established to monitor the progress of recovery in NPA accounts. Special committees of the Board have been constituted consisting of our managing director and chief executive officer, executive directors and two independent Directors in order to monitor the progress of recovery on a regular basis and is required to submit its report to the Board on a monthly basis.

The following table sets forth the classification of our gross loan assets, as at the dates indicated.

(*₹ crore, except percentages*)

Particulars	As at September 30, 2017	As at March 31, 2017	2016	2015
Standard	3,64,899.80	3,74,448.60	3,56,812.90	3,28,411.90
Restructured assets	15,233.05	19,109.82	31,974.71	42,339.10
NPAs	52,852.57	48,192.95	43,987.41	21,671.17

The following table sets forth our NPAs for our largest accounts, identified by industry, as at the dates indicated:

(*₹ crore, except percentages*)

Particulars	As at September 30, 2017 Gross Principal Outstanding	As at March 31, 2017 Gross Principal Outstanding
Metals	562.25	665.79
Iron and steel	14,782.90	14,581.59
Food Processing	2,279.29	2,038.03
Mining	619.50	625.90
Glass	36.94	37.52
Trading	588.82	513.85
Educational Institution	676.46	494.52
Total	**19,546.16**	**18,957.2**

Recognition of NPAs and provisioning

RBI classification and provisioning requirements

Our Bank classifies its assets in accordance with the RBI guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days in respect of term loans. In respect of overdraft and cash credit, an asset is classified as non-performing if the account remains out of order for a continuous period of 90 days, and in respect of bills, if the account remains overdue for more than 90 days. Assets are classified as described below:

Standard assets	A standard asset is one which does not disclose any problem and which does not carry more than normal risks attached to the business. Such asset is not an NPA.
Sub-standard assets	A sub-standard asset is one which has remained an NPA for a period of less than or equal to 12 months.
Doubtful assets	A doubtful asset is one which has remained in the sub-standard category for a period of 12 months and more.
Loss assets	A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible.

Our NPAs include loans and advances as well as credit substitutes, which are funded credit exposures such as debentures and preference shares.

The following table provides a summary of our gross loan assets as at the dates indicated, in accordance with RBI classifications.

(*₹ crore, except percentages*)

	As at September 30, 2017	As at March 31, 2017	2016	2015
Standard	3,75,355.32	3,86,380.91	3,76,956.71	3,66,727.29
Sub-standard	14,220.81	15,390.08	25,546.99	12,622.30
Doubtful	41,801.42	38,543.37	28,400.59	12,246.34
Loss	1,607.88	1,437.00	1,870.75	826.22
Total	**4,32,985.43**	**4,41,751.36**	**4,32,775.04**	**3,92,422.15**

The following table sets forth our provisions for possible credit losses as at the dates indicated.

(*₹ crore, except percentages*)

	As at September 30, 2017	As at March 31, 2017	2016	2015
Provision held	22,604.92	22,043.49	19,854.43	9,801.76
Provision held as percentage of gross advances	5.22	4.99	4.59	2.50
Provision held as percentage of gross NPAs	39.22	39.81	35.57	38.15

Restructured assets

The RBI has issued separate guidelines for restructured assets. A fully secured standard asset can be restructured by rescheduling principal repayments and/or the interest element, but it must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written-off, or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. The substandard accounts which have been subjected to restructuring, whether in respect of a principal installment or an interest amount, are eligible to be upgraded to the standard category only after the specified period, which is a period of one year after the date when first payment of principal or interest, whichever is earlier, falls due, subject to satisfactory performance during the period.

The following table sets forth the movement in Restructured assets during Fiscal 2017.

(*₹ crore, except percentages*)

	Fiscal 2017 Standard	NPA	Total
Restructured Accounts as at April 1, 2016 (Opening position)	20,143.79	11,830.92	31,974.71
Add: Fresh Restructuring + Increase in outstanding for Fiscal 2016	2,944.49	305.09	3,249.58
Add: Up-gradation to restructured standard category	1,228.71	(-)1,228.71	
Less: Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of the quarter and hence need not be shown as restructured standard advances at the beginning of the	(-)3,538.47		(-)3,538.47

	Fiscal 2017		
	Standard	NPA	Total
next quarter			
Less: Down-gradations of restructured accounts for Fiscal 2016	(-)5,069.47	5,140.90	71.43
Less: Write-offs + Closures + Decrease in outstanding	(-)3,776.73	(-)8,870.71	(-)12,647.44
Total restructured accounts as at March 31, 2017 (Closing Position)	11,932.32	7,177.49	19,109.81

Provisioning and write-offs

RBI guidelines on provisioning and write-off are as follows:

Standard assets	The general provisioning requirement for "standard advances" have now been increased by RBI from 0.25% to 0.40% with the exception of banks' direct advances to agricultural and SME sectors. For specific sectors, such as commercial real estate, provisioning at 1% is required.
Sub-standard assets	A general provision of 15.00% on total outstanding and 20.00% of the outstanding on the "unsecured exposures" identified as "sub-standard." Unsecured exposure is an exposure where realizable value of security is not more than 10.00%, *ab-initio,* of the outstanding exposure.
Doubtful Assets	Provision at 100.0% of the extent to which the advances is not covered by realizable value of security. In regard to the secured portion, provision is to be made as under: Period for which advance remained in "Doubtful" category: • Up to one year: 25% • One to three years: 40% • More than three years: 100% • Loss assets: written off or 100% provision is made on outstanding amount.

Analysis of NPAs by industry sector

The following table sets forth, as at the dates indicated, our domestic NPAs, by borrowers' industry or economic activity and as a percentage of its loans in the respective industry or economic activities sector. These figures do not include credit substitutes.

(₹ crore, except percentages)

Industry	As at March 31,								
	2017			2016			2015		
	Gross Assets	NPAs	% of NPA in Industry	Gross Assets	NPAs	% of NPA in Industry	Gross Assets	NPAs	% of NPA in Industry
Chemical and Pharmaceutical	8,100.55	864.05	10.67	6,922.62	2,487.92	35.94	5,331.02	1,186.31	22.25
Agriculture	77,711.52	6,625.94	8.53	72,985.45	4,380.48	6.00	58,555.7	3,145.00	5.37
Textile	11,777.39	3,141.01	26.67	11,815.88	2,347.66	19.87	11,463.71	1,320.72	11.52
Cement	2,322.24	541.42	23.31	2,282.94	1,105.85	48.44	2,608.08	682.99	26.19
Sugar	5,540.61	507.57	9.16	6,763.29	442.70	6.55	6,879.09	556.16	8.08
Leather	888.13	23.93	2.69	961.49	11.58	1.20	731.81	11.14	1.52
Automobiles and Transportation equipment	747.88	98.92	13.23	864.93	79.52	9.19	964.31	45.67	4.74
Financial	1,104.97	0	0.00	22,581.69	0	0.00	14,190.82	0	0.00
Electronic and electrical appliances	1,034.01	71.19	6.88	1,177.45	203.60	17.29	1,661.97	199.69	12.02
Production and Transmission of energy	30,148.38	3,864.62	12.82	30,555.17	5,809.95	19.01	37,434.18	525.31	1.40
Commerce and trade	5,646.72	513.85	9.10	21,802.93	2,142.90	9.83	12,900.02	1,449.51	11.24
Transport, storage and communication	17,148.46	734.60	4.28	12,100.31	741.30	6.13	18,397.20	634.64	3.45

Individuals	54,258.23	1,864.13	3.44	36,945.96	1,149.09	3.11	46,685.91	1,118.17	2.40
Others	1,74,161.00	34,269.30	19.68	1,51,524.47	33,521.41	22.12	12,1964.86	14,442.75	11.84
Total Domestic	**3,90,590.09**	**53,120.53**	**13.60**	**3,79,284.58**	**54,423.96**	**14.35**	**3,39,768.68**	**25,318.06**	**7.45**

Business segment analysis of our gross NPA portfolio as at the dates indicated:

(₹ crore, except percentages)

Business segment	As at September 30, 2017	As at March 31, 2017
Corporate	41,779.26	39,364.53
Small and Medium Enterprises	4,377.30	5,265.93
Retail	2,348.51	1,864.13
Agriculture	6,752.06	6,625.94
International Advances	2,372.98	2,249.92
Total	**57,630.11**	**55,370.45**

Top 10 NPAs

The tables below sets forth, as at March 31, 2017, information regarding our largest NPAs, identified by industry sector, as well as the value of the collateral securing the loan (the valuations are derived from the audited financial statements of the borrower or independently arrived at by outside agencies).

(₹ crore, except percentages)

Industry (number of accounts)	As at March 31, 2017					
	Type of Banking Arrangement	Gross Principal Outstanding	Provisions	Principal Outstanding Net of Provision for credit losses	Collateral	Currently servicing all interest payments
Borrower 1	Consortium	3,316.98	1,326.79	1,990.19	5,632.99	No
Borrower 2	Consortium	2,637.55	659.39	1,978.16	3,739.33	No
Borrower 3	Consortium	2,264.72	905.89	1,358.83	2,528.98	No
Borrower 4	Consortium	1,301.66	1,301.66	0.00	3,671.39	No
Borrower 5	Consortium	899.70	899.70	0.00	1,552.46	No
Borrower 6	Consortium	854.04	213.51	640.53	1,246.26	No
Borrower 7	Consortium	788.87	315.55	473.32	5,690.21	No
Borrower 8	Consortium	743.39	743.39	0.00	68.68	No
Borrower 9	Consortium	709.34	326.46	382.88	981.08	No
Borrower 10	Consortium	708.25	177.06	531.19	1,215.20	No
Total		**14,224.5**	**6,869.4**	**7,355.1**	**26,326.58**	

The net realizable value of such collateral may be substantially less. See "***Risk Factors—Deterioration in the performance of certain industry sectors where we have significant exposure may adversely affect our business***" on page 50.

Interest in Suspense

Interest in suspense is the interest due on non-performing loans that has not been recognized in our books of accounts. The following table sets forth, for the periods indicated, the cumulative amount of interest in suspense on existing NPAs.

(*₹ crore, except percentages*)

Particulars	Six month period ended September 30,		Fiscal		
	2017	2016	2017	2016	2015
Interest in suspense	**24,224.33**	**16,069.50**	**19,596.32**	**12,321.20**	**9,565.35**

INDUSTRY OVERVIEW

The information in this section includes extracts from publicly available information, data and statistics and has been derived from certain government publications and industry sources, including the Reserve Bank of India and the World Bank. Neither we nor the Book Running Lead Managers nor any of our or their respective affiliates or advisors has independently verified this information, and none of these parties makes any representation as to the accuracy of this information. The data included in the government publications and industry sources may have been re-classified by us for the purposes of presentation in this Preliminary Placement Document. The information in this section may not be consistent with other information compiled by third parties within or outside India.

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Economic Conditions in India

The Indian economy is one of the largest economies in the world *(Source: World Factbook, available as at November 25, 2017 at https://www.cia.gov/library/publications/resources/the-world-factbook/geos/in.html.)*, with a gross domestic product ("**GDP**") at market prices of an estimated ₹152.51 trillion for Fiscal 2017. *(Source: Central Statistical Office of India's Ministry of Statistics and Programme Implementation as at May 31, 2017, available as at November 25, 2017 at http://www.mospi.gov.in/sites/default/files/press_release/PRESS_NOTE_PE_2016-17.pdf.)*

In recent years, India has become a popular destination for foreign direct investment ("**FDI**"), owing to its well-developed private corporate sector, large consumer market potential and large well-educated and English-speaking workforce. Overall, India attracted FDI of approximately U.S.$60.08 billion during Fiscal 2017, U.S.$55.55 billion during Fiscal 2016 and U.S.$45.15 billion during Fiscal 2015 as compared to an average of U.S.$22.11 billion from Fiscal 2001 to Fiscal 2013. *(Source: Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India – Fact Sheet on FDI from April 2000 to March 2017, available as at November 25, 2017 at http://dipp.nic.in/sites/default/files/FDI_FactSheet_January_March2017.pdf.)*

The per capita GDP based on India's purchasing power parity has risen to U.S.$7,170 during 2017, from U.S. $6,690 during 2016. *(Source: World Economic Outlook, IMF, available as at November 25, 2017 at http://www.imf.org/external/datamapper/datasets/WEO/1.)* India's real GDP grew at a rate of 7.1% during Fiscal 2017 as against 8.0% in Fiscal 2016. *(Source: The World Bank, available as at November 25, 2017 at https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=IN.)*

The GoI appears to be firmly committed to fiscal consolidation. The fiscal deficit has been reduced from 4.10% during Fiscal 2015 to 3.90% during Fiscal 2016 and 3.50% during Fiscal 2017. Despite increasing government expenditure during Fiscal 2017, the GoI was able to achieve its fiscal deficit target of 3.50% of GDP due to better revenue receipts. In its budget presented on February 1, 2017, the GoI announced that the Fiscal Responsibility and Budget Management Committee has recommended a 3.00% fiscal deficit for the next three years, keeping in mind the sustainable debt target and a need for public investment. *(Source: Union Budget Speech, 2017-19, available as at November 25, 2017 at http://indiabudget.nic.in/ub2017-18/bs/bs.pdf.)* The GoI ultimately decided on targeting fiscal deficit at 3.20% of GDP for Fiscal 2018. *(Source: Union Budget of India, 2017-18, available as at November 25, 2017 at http://indiabudget.nic.in/ub2017-18/bag/bag1.pdf.)*

India has also come a long way over the past few years in terms of external sector adjustments, with current account deficits decreasing and balance of payments position improving. Although India's current account deficit increased overall from U.S.$0.3 billion (0.1% of GDP) in the fourth quarter of Fiscal 2016 to U.S.$3.4 billion (0.6% of GDP) in the fourth quarter of Fiscal 2017, it has narrowed from U.S.$8.0 billion (1.4% of GDP) in the preceding quarter. *(Source: The RBI's Developments in India's Balance of Payments during the Fourth Quarter (January - March of 2016-17.)* The balance of payment surplus has been healthy owing to better foreign portfolio inflows and steady FDI flows. Foreign exchange reserves rose to U.S.$370.00 billion as at March 31, 2017 from U.S. $355.56 billion as at March 31, 2016 and U.S. $341.40 billion as at March 27, 2015. *(Source: The RBI's Weekly Statistical Supplement as at 31 March 2015, 2016 and 2017.)*

As at October 24, 2017, inflation has been brought under control - declining from nearly double digits in 2012-13 and 2013-14 to an average of less than 5 per cent since then. This is in part due to decisive steps taken by the GoI, a decline in crude prices from its high levels in 2013-14 and benign global prices of tradables, which helped the economy break out from an inflationary spiral to relatively stable prices. As at October 24, 2017, inflation is currently well within the target of 4 per cent although the RBI projects an increase to 4.2-4.6 per cent in the second half of the current financial year - a little higher than 4% target, but within the range of 4+/-2%. *(Source: The Press Information Bureau, available as at November 25, 2017 at http://pib.nic.in/newsite/PrintRelease.aspx?relid=171900.)*

Domestic macroeconomic stability has also been achieved by the narrowing of fiscal and current account deficits and reducing inflation, which has helped to stabilize the Indian rupee. The Indian Rupee was largely resilient against the U.S. dollar during Fiscal 2015, and depreciated marginally by an average of 1.10% over Fiscal 2015. The Indian Rupee declined overall during Fiscal 2016 due to emerging market sell-offs, expectations of an interest rate increase by the U.S. Federal Reserve, global uncertainty due to the devaluation of the Chinese Yuan and changes in China's exchange rate policy. During Fiscal 2017, the Indian Rupee experienced two-way volatility due to India's improving macroeconomic fundamentals, the outcome of the U.S. presidential election, foreign institutional investment flows into India and the passage of India's GST bill. While the Indian Rupee ended Fiscal 2017 on a strong note at ₹64.84 to the U.S. dollar, rallying approximately 4.70% from end-December 2016, it depreciated on an average of 2.40% against the U.S. dollar between Fiscal 2016 and Fiscal 2017. *(Source: RBI's Database on Indian Economy, available as at November 25, 2017 at https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home.)*

Demonetization

On November 8, 2016, the Indian government announced phasing out of large-denomination currency notes (₹500 and ₹1,000, representing 86.00% of the total currency in circulation) as legal tender. They were immediately replaced with new ₹500 and ₹2,000 currency notes. The withdrawal from circulation started immediately and ended on December 30, 2016.

For Fiscal 2018, growth is expected to return to normal levels due to factors like the monsoon, an increase in the level of exports following the projected increase in global growth and, above all, various reform measures taken by the GoI to strengthen the economy, such as the goods and services tax ("**GST**"). However, there are a few challenges to forecasting growth, such as the extent to which the effects of demonetization could spill over into next year, the operational challenges faced in the implementation of the GST and the impact of rising oil prices. India's real GDP growth has been estimated to be between 6.75% and 7.50% during Fiscal 2018. *(Source: Economic Survey 2016-2017 – MoF.)*

Recent Macroeconomic Trends

Through the first half of Fiscal 2018, global financial markets were lifted by record low volatility, declining credit spreads and stretched market valuations, as concerns about the pace of reflation and the normalization of monetary policy in advanced economies receded. Equity markets scaled new peaks relative to earnings, propelled by a renewed reach for returns. Bond yields, which had firmed up till early 2017, reversed course from April on softer than expected commodity prices, as well as expectations of a more relaxed pace of monetary policy normalization.

The U.S. dollar depreciated against major currencies, partly correcting for the upside it had gained after the U.S. Presidential elections. However, in August 2017, geopolitical risks sparked bouts of volatility. Global financial markets remained largely resilient to the September 2017 communication of the Federal Reserve on its balance sheet normalization. Financial markets in emerging market economies remained tranquil, with equity markets surging and the return of large portfolio flows exerting appreciation pressure on their respective currencies. *(Source: Monetary Policy Report, October 2017.)*

The foreign exchange market has experienced bouts of volatility triggered by international developments. The Indian rupee depreciated sharply *vis-à-vis* the U.S. dollar in the aftermath of the U.S. presidential election results. The Indian rupee displayed two - way movements up to mid-January 2017, but since then appreciated on resumption of portfolio inflows in both the debt and equity segments. Factors, such as India's low and narrowing current account deficit, the emphasis of monetary policy on the 4.00% inflation target, the transient impact of demonetization on economic activity, the commitment to fiscal prudence announced in the Union Budget and the implementation of the GST, provided stability to the exchange rate, with exchange rate volatility declining considerably: the coefficient of variation of the INR/U.S. dollar exchange rate at 0.6 per cent during the first half of Fiscal 2018 was lowest since Fiscal 2006. The Indian rupee gained further in March 2017, as foreign portfolio investment inflows, especially equity, were boosted by the outcome of State elections - which raised expectations of acceleration in the pace of reforms. In the first half of Fiscal 2018, the Indian rupee traded with an appreciating bias against the U.S. dollar, strengthening by around 4 per cent after six consecutive years of depreciation.

Credit growth, particularly to industry, remained slow. Banks were risk averse due to high levels of stressed assets and weak demand, in view of the depressed investment cycle and the presence of spare capacity in manufacturing. The deceleration in the industrial sector could be observed even before demonetization - the index of industrial production ("**IIP**") contracted by 0.30% in the period April to October 2016 as compared with a growth of 4.80% in the same period of the previous year. On the plus side, with re-monetization, currency in circulation has steadily moved closer to the pre-demonetization level, reaching about 88% of the level (₹17.97 trillion) immediately before demonetization. *(Sources: Monetary Policy Report, April 2017; Reserve Bank of India, and Monetary Policy Report, October 2017; Reserve Bank of India.)*

India's current sovereign ratings as at November 28, 2017 were "Baa2/Stable" from Moody's and "BBB-/Stable" from Fitch.

Introduction to Indian financial sector

The RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including:

- Commercial banks;
    - Private Sector Banks
    - Regional Rural Banks
    - Public Sector Banks
    - Foreign Banks
    - Co-Operative Banks
- Long-term lending institutions;
- Non-banking financial companies, including housing finance companies, micro-finance companies;
- Other specialized financial institutions, and state-level financial institutions;
- Insurance companies;
- Micro-finance companies;
- Capital markets; and
- Mutual funds.

The Reserve Bank of India

The RBI, established in 1935, is the central banking and monetary authority in India. The RBI manages the country's money supply and foreign exchange and also serves as a bank for the GoI and for the country's commercial banks. In addition to these traditional central banking roles, the RBI undertakes certain developmental and promotional roles.

The RBI issues guidelines on exposure limits, income recognition, asset-classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and non- banking financial companies.

Commercial Banks

Commercial banks in India have traditionally focused on meeting the short-term and long-term financial needs of industry, trade and agriculture. As at September 2017, there were 148 scheduled commercial banks ("**SCBs**") in India, serving approximately ₹109.27 trillion in deposit accounts through a network of 139,045 branches. SCBs are banks that are listed in the schedule to the RBI Act, 1934, and are further categorized as public sector banks, private sector banks and foreign banks. SCBs have a presence throughout India, with approximately 62.67% of bank reporting offices located in rural/semi-urban areas as at September 2017. *(Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, November 28, 2017, available as at November 25, 2017 athttps://www.rbi.org.in/scripts/QuarterlyPublications.aspx?head=Quarterly%20Statistics%20 on%20Deposits %20and%20Credit%20of%20Scheduled%20Commercial%20Banks.)*

Performance of SCBs

According to RBI's Financial Stability Report, published in June 2017, SCB deposit growth has picked up against sluggish credit growth, putting pressure on banks (especially public sector banks) to maintain their net interest income. Overall, capital adequacy in terms of capital to risk (weighted) assets ratio ("**CRAR**") improved from 13.00% to 13.60% between September 2016 and March 2017, whereas the Tier-I leverage ratio at the system level declined marginally between September 2016 and March 2017. SCB annual profit after tax expanded by 48.00% in the first half of Fiscal 2017 against a decline of 61.60% during Fiscal 2016, due to higher growth in other operating income and a lower growth in risk provisions. Overall, SCB return on assets improved marginally to 0.4% in March 2017 from 0.30% in March 2016 and return on equity decreased to 4.30% from 5.00% between September 2016 and March 2017. SCB gross non-performing advances ("**GNPA**") ratios increased to 9.60% in March 2017 from 9.20% in September 2016 and stressed advances ratios declined to 12.00% from 12.30% during the same period, due to a fall in restructured standard advances. *(Source: RBI - Financial Stability Report, June 2017, available as at November 25, 2017 at https://rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=872.)*

Public Sector Banks

Public sector banks (majority ownership by the GoI) make up the largest category in the Indian banking system. As at August 31, 2017, public sector banks in India included 19 nationalized banks and 56 regional rural banks ("**RRBs**"). *(Source: RBI, available as at November 25, 2017 at https://www.rbi.org.in.)* Excluding the RRBs, the remaining public sector banks (both nationalized and the SBI Group) had over 92,000 reporting offices, and accounted for 64.76% of the bank credit and 69.16% of the aggregate deposits of the SCBs, as at June 30, 2017. The large network of branches of public sector banks lets them fund themselves out of low cost deposits. *(Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, August 31, 2017, available as at November 25, 2017 at https://rbi.org.in/Scripts/QuarterlyPublications.aspx?head=Quarterly+Statistics+on+ Deposits+and+Credit+of+Scheduled+Commercial+Banks.)*

Regional Rural Banks

From 1976 to 1987, the GoI, state governments and sponsoring commercial banks jointly established RRBs with a view to develop the rural economy. RRBs provide credit to small farmers, artisans, small entrepreneurs and agricultural laborers. The National Bank for Agriculture and Rural Development ("**NABARD**") is responsible for supervising the RRB functions. In 1986, the Kelkar Committee made comprehensive recommendations covering both the organizational and operational aspects of RRBs, several of which were adopted via amendments to the Regional Rural Bank Act, 1976. Between 1995 and 2000, as part of a comprehensive restructuring program, RRBs were re-capitalized; simultaneously, prudential reforms on income recognition, asset classification and provisioning for loan losses following customary banking benchmarks were introduced.

As at June 30, 2017, there were 56 RRBs and a total of 21,294 RRB reporting offices, which accounted for 3.34% of aggregate deposits and 2.94% of bank credit of SCBs. *(Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, August 31, 2017, available as at November 25, 2017 at* *https://rbi.org.in/Scripts/QuarterlyPublications.aspx?head=Quarterly+Statistics+on+Deposits+and+Credit+of+Scheduled+Commercial+Banks.)*

Private Sector Banks

Most large banks in India were nationalized in 1969, resulting in public sector banks making up the largest portion of Indian banks. The GoI maintained its focus on public sector banks throughout the 1970s and 1980s, and private sector banks showing signs of eventual default were merged with state-owned banks. Since July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks. These banks are collectively known as the "new" private sector banks. According to RBI, there were 21 Indian private sector banks, as at August 31, 2017. *(Source: RBI, available as at November 25, 2017 at https://www.rbi.org.in.)*

As at June 30, 2017, private sector banks accounted for approximately 23.18% of aggregate deposits and 27.74% of bank credit of SCBs. Their network of 24,635 reporting offices accounted for 17.69% of the total reporting office network of SCBs in the country. *(Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, August 31, 2017, available as at November 25, 2017 at https://rbi.org.in/Scripts/QuarterlyPublications.aspx?head=Quarterly+Statistics+on+Deposits+and+Credit+of+Scheduled+Commercial+Banks.)*

In February 2013, the RBI issued the New Bank Licensing Guidelines specifying that selected entities or groups in the private sector, entities in the public sector and non-banking financial companies with sound credentials, integrity and financials, with a successful track record of at least 10 years, would be eligible to provide banking services. On April 2, 2014, the RBI granted in-principle approval to two applicants to set up universal banks under the New Banks Licensing Guidelines, pursuant to which IDFC Bank Limited and Bandhan Financial Services Private Limited were set-up. In the future, the RBI may issue further licenses under the liberalized license regime.

On November 27, 2014, the RBI issued guidelines on the licensing of small finance banks and payments banks in the private sector banking industry, which included the eligibility criteria, scope, capital requirements, shareholding structure, prudential norms, and other corporate governance practices applicable to such licensees. Five small finance banks, Capital Small Finance Bank Limited, Suryoday Small Finance Bank Limited, Equitas Small Finance Bank Limited, Utkarsh Small Finance Bank Limited and Ujjivan Small Finance Bank Limited, have commenced operations, while 11 banks received "in-principle" approval on August 19, 2015 to operate as payment banks: (i) Aditya Birla Nuvo Limited, (ii) Airtel M Commerce Services Limited, (iii) Cholamandalam Distribution Services Limited, (iv) Department of Posts, (v) Fino PayTech Limited, (vi) National Securities Depository Limited, (vii) Reliance Industries Limited, (viii) Shri Dilip Shantilal Shanghvi, (ix) Shri Vijay Shekhar Sharma, (x) Tech Mahindra Limited, and (xi) Vodafone m-pesa Limited. *(Source: RBI, available as at November 25, 2017 at* https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=2900 *and at https://www.rbi.org.in/scripts/bs_pressreleasedisplay.aspx?prid=34754.)*

Foreign Banks

As at August 31, 2017, there were 43 foreign banks operating in India according to RBI. *(Source: RBI, available as at November 25, 2017 at https://www.rbi.org.in.)* As at June 30, 2017, these foreign banks had a combined total of 285 reporting offices and accounted for 4.28% of aggregate deposits and 4.47% of bank credit of SCBs. *(Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, August 31, 2017, available as at November 25, 2017 at https://rbi.org.in/Scripts/QuarterlyPublications.aspx?head=Quarterly+Statistics+on+Deposits+and+Credit+of+Scheduled+Commercial+Banks.)*

Foreign banks may operate in India by establishing wholly owned subsidiaries which are allowed to raise Indian rupee funds through the issuance of non-equity capital instruments. In addition, wholly owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 6 centers except at specified locations considered sensitive for national security reasons. Establishment of a subsidiary requires RBI approval, which is subject to various criteria, including economic and political relations with the country of incorporation of the parent bank, and reciprocity with the home country of the parent bank. The regulatory framework for a subsidiary of a foreign bank would be substantially similar to that applicable to domestic banks, including with respect to management, directed lending, investments and branch expansion. Wholly-owned subsidiaries of foreign banks may, after further review, be permitted to enter into merger and acquisition transactions with Indian private sector banks, subject to a foreign ownership limit of 49.00% under the 'automatic' route and 74.00% under the 'government approval' route that is currently applicable to Indian private sector banks.

Co-operative Banks

Co-operative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in the urban and semi-urban areas of India. State land development banks and primary land development banks provide long term credit for agriculture. In response to liquidity and insolvency problems experienced by some cooperative banks during Fiscal 2001, the RBI undertook several interim measures, pending formal legislative changes, which include measures related to lending against shares, borrowing in the call market and term deposits placed with other urban co-operative banks. Presently, the RBI is responsible for the supervision and regulation of urban co-operative banks, and while NABARD is responsible for the supervision and regulation of state co-operative banks and district central cooperative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 which came into effect on September 24, 2004, provides for the overarching regulation of all co-operative banks by the RBI. According to RBI, there are 19 scheduled state co-operative banks, 14 non-scheduled state co-operative banks, 54 scheduled urban co-operative banks and 1,500 non-scheduled urban co-operative banks. *(Source: RBI, available as at November 25, 2017 at https:// https://www.rbi.org.in/commonman/english/scripts/banksinindia.aspx.)*

Non-Banking Financial Companies

As at March 2017, there were 11,517 non-banking financial companies ("**NBFCs**") registered with the Reserve Bank, of which 179 were deposit accepting ("**NBFCs-D**") and 11,338 were non-deposit accepting ("**NBFCs-ND**"). *(Source: RBI - Financial Stability Report, June 2017, available as at November 25, 2017 at https://rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=872.)* Subject to applicable laws, non-banking financial companies are required to register with the RBI. The non-banking financial companies may be categorized into entities which take public deposits and those which do not. The non-banking financial companies which take public deposits are subject to strict RBI supervision and capital adequacy requirements. The RBI classifies non-banking financial companies into three categories: asset finance companies, loan companies and investment companies. As at March 2017, there were 220 systemically important non-deposit accepting NBFCs ("**NBFCs-NDSI**"). All NBFCs-D and NBFCs-ND-SI are subject to prudential regulations such as capital adequacy requirements and provisioning norms, along with certain reporting requirements. *(Source: RBI - Financial Stability Report, June 2017, available as at November 25, 2017 at https://rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=872.)*

Housing Finance Companies

Housing finance companies form a distinct sub-group of non-banking financial companies. As a result of various GoI incentives to invest in the housing sector in recent years, the scope of this business sector has grown substantially. The Housing Development Finance Corporation Limited is a leading provider of housing finance in India, with several other players, including banks, entering the housing finance industry in recent years. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two major financial institutions instituted through acts of Parliament to improve the availability of housing finance in India. The National Housing Bank Act, 1987, as amended, provides for securitization of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme.

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions which cater to the specific needs of different sectors. These include NABARD, the Export Import Bank of India, the Small Industries Development Bank of India, the Risk Capital and Technology Finance Corporation Limited, the Tourism Finance Corporation of India Limited, the National Housing Bank, the Power Finance Corporation Limited, the Infrastructure Development Finance Corporation Limited and the India Infrastructure Finance Company.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote SMEs. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large enterprises.

Insurance Companies

As at March 31, 2016 there were 54 insurance companies in India, of which 24 were life insurance companies, 29 were general insurance companies and one national re-insurer. Of the 24 life insurance companies, 23 were in the private sector and one in the public sector. Among the general insurance companies, 23 are in the private sector and 6 are in the public sector (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited). *(Source: IRDA Annual Report 2015-16.)* The General Insurance Corporation of India, a re-insurance company, is in the public sector. The Life Insurance Corporation of India, the General Insurance Corporation of India and other public sector general insurance companies also provide long-term financial assistance to the industrial sector.

The insurance sector in India is regulated by Insurance Regulatory Development Authority of India ("**IRDAI**"). In December 1999, the Indian Parliament passed the Insurance Regulatory Development Authority Act, which amended the Insurance Act, 1938 and opened up the Indian insurance sector to foreign and private investors. The Insurance Act, 1938 was further amended by the Insurance Law (Amendment) Act, 2015 which raised foreign equity participation limits in insurance companies from 26.00% to 49.00%. Such insurance companies are required to be Indian owned and controlled. Control includes the right to appoint majority of directors or control the management or policy decisions by the virtue of shareholding or management rights or shareholders agreements or voting agreements, and in turn, both the ownership and control are required to remain in Indian hands. Further, the amendment has permitted insurers to raise capital through instruments other than equity. On October 19, 2015, following the amendment, the IRDAI issued guidelines clarifying the compliance requirements of "Indian owned and controlled" Indian insurance companies.

In its Monetary and Credit Policy for Fiscal 2001, the RBI issued guidelines governing the entry of banks and financial institutions to the insurance industry, permitting banks and financial institutions to enter via joint ventures, provided that these entities met certain criteria relating to their net worth, capital adequacy ratios, profitability track record, level of non-performing loans as well as the performance of their subsidiaries.

The life insurance industry recorded a premium income of ₹3,669.43 billion during Fiscal 2016 as against ₹3,281.02 billion in the previous Fiscal, registering a growth of 11.84% (over 4.39% growth in the previous Fiscal). While private sector insurers posted 13.64% growth (below 14.32% growth in previous Fiscal) in their premium income, the Life Insurance Corporation of India recorded 11.17% growth (over 1.15% growth in the previous Fiscal). The non-life insurance industry had underwritten a total premium of ₹963.79 billion in India for Fiscal 2016 as against ₹846.86 billion during Fiscal 2015, registering a growth of 13.81% as against an increase of 9.20% recorded in the previous Fiscal. The public sector insurers exhibited growth during Fiscal 2016 at 12.08% (over the previous Fiscal's growth rate of 10.24%. The private general insurers registered a growth of 13.12%, over 9.62% achieved during the previous Fiscal.) *(Source: IRDA Annual Report 2015 – 2016, available as at November 25, 2017 at https://www.irdai.gov.in/.)*

Mutual Funds

As at September 30, 2017, there were 41 mutual funds in India. The average assets under management during the second quarter of Fiscal 2018 amounted to an aggregate of ₹20,948.52 billion, an increase of 30.06% from ₹16,107.29 billion during the second quarter of Fiscal 2017. *(Source: Association of Mutual Funds in India, available as at November 25, 2017 at http://portal.amfiindia.com/spages/ammar2017repo.pdf.)* From 1963 to 1987, the Unit Trust of India was the only mutual fund operating in the country, set up in 1963 at the initiative of the GoI and the RBI. Since 1987, several other public sector mutual funds have entered this sector, established by public sector banks, the Life Insurance Corporation of India and the General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. *(Source: http://www.amfiindia.com/research-information/mf-history.)*

In June 2009, SEBI removed the entry load, up-front charges deducted by mutual funds, for all mutual fund schemes, and mandated that the up-front commission to distributors should be paid directly by the investor. In November 2009, to enhance the reach and marketability of mutual fund schemes, SEBI permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes. As a result, mutual fund units can now be traded on recognized stock exchanges. In February 2010, the SEBI introduced guidelines for the valuation of money market and debt securities to ensure that the value of money market and debt securities in the portfolio of mutual fund schemes reflected current market value. The valuation guidelines were effective from August 1, 2010.

Key Banking Industry Trends in India

Despite declining dramatically to a historic low in June 2017, the RBI expects inflation to pick up from its recent lows as favorable base effects reverse and enhanced house rent allowances are disbursed to central government employees. Economic activity is expected to recover, with an improvement in the services sector, even as investment activity remains anemic. Since April 2017, the macroeconomic setting for the conduct of monetary policy has undergone significant shifts; the gradual firming up of global growth, especially in advanced economies, has whetted a renewed search for returns that has buoyed global financial markets. Capital flows to emerging market economies have strongly resumed, albeit with some differentiation in favor of jurisdictions that have relatively resilient fundamentals. These flows are likely to abate to an extent due to the upcoming unwinding of quantitative easing by the US Federal Reserve. *(Source: RBI Monetary Policy Report – October 2017.)*

India's macroeconomic performance and the RBI's targeted inflation goals have influenced the domestic banking industry. As the emerging market economies slowed down due to severe domestic imbalances, global economic slowdown and the downturn in credit growth, the banking sector was also burdened by its NPAs which have risen sharply during the year. Overall, there has been an overall decline in credit growth and profit growth across the industry which resulted in a decrease in the return on assets and return on equity among the banks. On the plus side, the capital adequacy positions showed an improvement due to the capital infusion by the GoI and the closer alignment of India's capital adequacy framework with the Basel Committee on Banking Supervision's guidelines. *(Source: Report on Trend and Progress of Banking in India 2015-16.)*

Although the growth of the Indian banking sector moderated further during 2015-16 due to weakening credit growth and an increase in NPAs, the RBI is committed to pursuing a long-term vision of developing a sound, competitive, inclusive and customer friendly banking sector. As such, the RBI continues to explore the possibility of creating new kinds of differentiated banks, scale up the business correspondent model, improve the existing payment infrastructure and design an appropriate ombudsman scheme for the non-banking financial companies. *(Source: Report on Trend and Progress of Banking in India 2015-16.)*

Consumer credit

The consumer credit market in India has undergone a significant transformation over the last decade and has experienced rapid growth due to consumer credit becoming cheaper, more widely available and increasingly a more acceptable avenue of funding for consumers. Today, the market has changed dramatically due to the following factors:

- increased focus by banks and financial institutions on consumer credit, resulting in a market shift towards regulated players from unregulated moneylenders/financiers;
- increasing desire by consumers to acquire assets such as cars, goods and houses on credit;
- fast emerging middle class and growing number of households in a bank's target segment;
- improved terms of credit;
- legislative changes that offer greater protection to lenders against fraud and potential default, increasing the incentive to lend; and
- growth in assignment and securitization arrangements for consumer loans, enabling non-deposit based entities to access wholesale funding and compete in the market, based on the ability to originate, underwrite and service consumer loans.

Commercial banking trends

Credit

As at September 2017, the credit-deposit ratio for SCBs was 73.3 as compared to 74.5 as at September 2016. The aggregate deposits increased by 8.20% while bank credit increased by 6.50% to September 2017 from September 2016 *(Source: RBI – Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, as at November 28, 2017, available as at December 4, 2017 at https://www.rbi.org.in/scripts/QuarterlyPublications.aspx?head=Quarterly%20Statistics%20on%20Deposits%20and%20Credit%20of%20Scheduled%20Commercial%20Banks.)* As at September 29, 2017, there was a slight improvement in the overall growth of credit from March 31, 2017. While credit to agriculture and allied activities and personal loans showed an improved growth, the service sector and industry sector saw a decline in comparison to March 31, 2017. *(Source: RBI Data on Sectoral Deployment of Bank Credit – September 2017, available as at November 25, 2017 at https://rbi.org.in/SCRIPTs/BS_PressReleaseDisplay.aspx?prid=42123.)*

Fiscal 2016 saw the RBI placing a great focus on ensuring adequate credit flow to various segments in the priority sector. As a result, there was a sharp rise in the growth of priority sector credit during Fiscal 2016 to 16.00% as compared to the previous year's growth of 9.30%. The growth in priority sector credit well surpassed the growth in overall credit. The growth in priority sector credit for Fiscal 2016 can be partially attributed to the housing loans credits which increased significantly. *(Source: Report on Trend and Progress of Banking in India 2015-16.)* During Fiscal 2016, credit to priority sectors by public and private sector banks was 39.30% and 45.10% of adjusted net bank credit or credit equivalent of off-balance sheet exposure, whichever is higher, respectively, indicating a shortfall against the overall priority sector lending target of 40.00%. *(Source: Report on Trend and Progress of Banking in India 2015-16.)*

Interest rates and inflation

Inflation, as measured by the CPI, has seen a secular decline over the past few years. As such, the RBI has cut policy rates by an aggregate of 175 bps since January 2015. The repo rate was first reduced by 25 bps in January 2015 to address the weak investment climate and the need to mitigate supply constraints. In September 2015, the benign cereal prices and moderation in crude oil prices motivated the RBI to cut the policy repo rate by 50 bps to boost domestic demand and stimulate investment. In order to bring the CPI inflation rate down to 5.00%, the RBI further reduced the repo rate by 25 bps to 6.50% in April 2016, which was the lowest the repo rate has been since March 2011. The policy rate corridor was narrowed by reducing the marginal standing facility ("**MSF**") rate by 75 bps to 7.00% and increasing the reverse repo rate by 25 bps to 6.00% for a finer alignment of the weighted average call rate with the policy repo rate. (*Source: RBI Annual Report 2015-16, available as at November 25, 2017 at http://www.rbi.org.in.*)

In the first bi-monthly monetary policy statement for Fiscal 2017 announced on April 5, 2016, the RBI reduced the repo rate from 6.75% to 6.50%. The minimum daily maintenance of the cash reserve ratio was also reduced to 90% of the requirement in order to ease liquidity management for banks without abandoning liquidity discipline. In the second bi-monthly monetary policy statement announced on June 7, 2016, the RBI maintained both the repo rate and the cash reserve ratio rates. Consequently, the reverse repo rate and the MSF rates were all unchanged. In the third bi-monthly monetary policy statement announced on August 9, 2016, the RBI continued its previous position and kept the repo rate, cash reserve ratio, reverse repo and MSF rates unchanged. In the fourth bi-monthly monetary policy statement announced on October 4, 2016, the RBI further reduced the repo rate by 25 bps to 6.25% and the reverse repo rate was adjusted to 5.75% with the MSF rate at 6.75%. The repo rate has been maintained at 6.25% ever since the last adjustment on October 4, 2016. However, in the December 2016 and February 2017 policies, the RBI's tone turned relatively hawkish and the RBI changed its stance from accommodative to neutral, premised on upside risk to inflation, limited transient growth drag owing to demonetization and global risks. (*Source: Monetary Policy, Reserve Bank of India, available as at November 25, 2017 at http://www.rbi.org.in.*)

Base rate system and the marginal cost of funds based lending rate

The base rate system, which replaced the benchmark prime lending rate system introduced in 2003, became effective from July 2010 and has contributed to improvement in the pricing of loans, enhanced transparency in lending rates and has improved the assessment of the transmission of monetary policy. (*Source: RBI's Master circular on interest rates on advances, released on July 1, 2014, available as at November 25, 2017 at https://rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9043.*) This, combined with freeing of interest rates on export credit in foreign currency, effective May 5, 2012, has resulted in complete deregulation of interest rates on lending by commercial banks. As proposed in the RBI Second Quarter Review of Monetary Policy 2010-11 and pursuant to Guidelines on Deregulation of Savings Bank Deposit Interest Rate, the RBI decided to deregulate the savings bank deposit interest rate, effective October 25, 2011, subject to the following two conditions:

- *first*, each bank will have to offer a uniform interest rate on savings bank deposits up to ₹100,000, irrespective of the amount in the account within this limit; and
- *second*, for savings bank balances over ₹100,000, a bank may provide differential rates of interest, if it so chooses. However, there should not be any differentiation on interest rates between similar deposit amounts accepted on the same date at any of a bank's branches.

On December 17, 2015, the RBI also released the final guidelines on computing interest rates on advances based on the marginal cost of funds. These guidelines came into effect on April 1, 2016 with the introduction of the marginal cost of funds based lending rate ("**MCLR**") systemunder which new rupee loans and renewal of credit limits would be priced with reference to the MCLR. (*Source: RBI's Guideline on Interest rates on advances, released on December 17,2015, available as at November 25, 2017 at https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10179&Mode=0.*) Apart from helping to improve the transmission of policy rates into the lending rates of banks, these measures are also expected to improve transparency in the methodology followed by banks for determining interest rates on advances. The guidelines are also expected to ensure availability of bank credit at interest rates which are fair to the borrowers as well as the banks. Further, marginal cost pricing of loans will help the banks become more competitive and enhance their long-run value and contribution to economic growth.

As per these guidelines issued by the RBI, banks have to publish the MCLR for various tenors which will be the internal benchmark lending rates. Based on the MCLR, interest rates for different types of customers should be fixed in accordance with their respective risk profiles.

According to these guidelines, banks have to set five benchmark rates for different tenures or time periods ranging from overnight (one day) rates to one year. The new methodology uses the marginal cost or latest cost conditions reflected in the interest rate given by the banks for obtaining funds while setting their lending rate. *(Source: RBI Annual Report 2015-16 on pages 39 and 64.)*

Further, the RBI has set up a panel to consider the possibility of linking the marginal cost of funds-based lending rate ("**MCLR**") to a market-determined benchmark rate.

Asset quality

Across the industry, the banks have been making efforts to reduce the amount of NPA via various legal dispute resolution channels such as Lok Adalats, Debt Recovery Tribunals and the invocation of the SARFAESI Act. In 2015-16, the recovery rate of all banks decreased. The SCBs recovered ₹227.68 billion as against ₹307.92 billion during the previous year and the public sector banks could only recover ₹197.57 billion as against ₹278.49 billion during the previous year. The reduced recovery rate was largely due to a 52.00% reduced recovery rate under the SARFAESI Act. Recovery rates for Lok Adalats and Dispute Recovery Tribunals increased by 127.60% and 51.20%, respectively. Four sub-sectors (Basic metal, construction, textiles and food processing) had above 20.00% of the stressed advances for their respective sectors. These four sub-sectors had 30.50% of total stressed advances of all SCBs as at September 2016. *(Source: Financial Stability Report December 2016 on pages 20 to 21.)*

The Insolvency and Bankruptcy Code ("**IBC**") was enacted on May 28, 2016 with the aim to consolidate the laws relating to insolvency of companies and limited liability entities (including limited liability partnerships and other entities with limited liability), unlimited liability partnerships and individuals, presently contained in a number of legislations, into a single legislation. Following the enacting of the IBC, the National Company Law Tribunal has seen about 2050 applications filed before it of which, 112 applications have been admitted and another 146 have been rejected or withdrawn as at October 24, 2017. In May 2017, additional powers were given to the RBI to issue directions to any banking company to initiate insolvency resolution processes in respect of default under the provisions of the IBC. The Internal Advisory Committee ("**IAC**") of the RBI has since identified accounts for immediate reference for bankruptcy proceedings. *(Source: The Press Information Bureau, available as at November 25, 2017 at http://pib.nic.in/newsite/PrintRelease.aspx?relid=171900.)*

Income and profitability

During Fiscal 2016, there was a 60.00% decrease in net profits for the banking sector as a whole. The deterioration in asset quality has led to an increase in the provisioning measures for such NPAs. This has adversely impacted revenues for SCBs. Despite the various issues affecting the banking sector, private banks and foreign banks both reported net profits. Only the public sector banks incurred losses of ₹180 billion with net profits declining by 148.00% over the previous year. Return on assets for the scheduled commercial banks decreased by 61.70% from 0.81 during Fiscal 2015 to 0.31 during Fiscal 2016 and return on equity for the scheduled commercial banks decreased by 65.50% from 10.42 during Fiscal 2015 to 3.59 during Fiscal 2016. *(Source: Report on Trend and Progress of Banking in India 2015-16.)*

Recent Developments in the Indian Banking Industry

- As part of the framework for revitalizing distressed assets, the RBI introduced the Scheme for Sustainable Structuring of Stressed Assets for financial restructuring of large accounts on June 13, 2016. The process of selling stressed assets by banks was further streamlined to facilitate better valuation, price discovery and the creation of a vibrant stressed assets market.

- After consultation with the GoI, the RBI also released a separate framework for the revival of distressed loans in this sector on March 17, 2016 after considering the difficulties faced by micro, small and medium enterprises in resolving and restructuring their stressed bank loans.

- The RBI has liberalized the banking licensing regime and intends to issue licenses on an ongoing basis, subject to the RBI's qualification criteria. The RBI has issued licenses to two new private sector banks, 11 payment banks and ten small finance banks during Fiscal 2016. RBI also issued guidelines for universal banking license in August 2016, which can be applied for at any time. In accordance with these guidelines, individuals/professionals who are Indian residents and have 10 years of experience in banking and finance at a senior level and existing non-banking financial companies that are controlled by an Indian resident and have a successful track record of at least 10 years may apply for the license. Further, entities/groups in the private sector that are owned and controlled by an Indian resident are also eligible promoters provided that they have a successful track record of at least 10 years and if such entity/group has total assets of ₹50 billion or more, the non-financial business of the group does not account for 40.00% or more in terms of total assets/gross income.

- On August 1, 2016, the RBI published the Guidelines for "on-tap" licensing of universal banks in the private sector. As these licenses are "on-tap", there is no licensing window and applicants can apply at any time. While large industrial houses are barred, entities or groups in the private sector that are "owned and controlled by residents" (as defined in the FEMA Regulations, as amended from time to time) and have a successful track record for at least ten years are allowed to promote to universal banks, provided that such entity/group has total assets of ₹50.00 billion or more, and the non-financial business of the group does not account for 40.00% or more in terms of total assets or gross income.

Future Developments in the Banking Sector

Implementation of the Basel III Capital Regulations

In December 2010, the Basel Committee on Banking Supervision ("**BCBS**") issued a comprehensive reform package of capital regulations, the Basel III Capital Regulations. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spill over from the financial sector to the real economy. The RBI issued the RBI Basel III Capital Regulations and the guidelines became operational from April 1, 2013. However, the reform package and guidelines will be implemented in a phased manner. On December 31, 2013, the RBI further extended the implementation of credit valuation adjustment risk to April 1, 2014; and, on March 27, 2014, extended the deadline for full implementation of the Basel III requirements to March 31, 2019. *(Source: RBI Circular DBOD.No.BP.BC.81/21.06.201/2013-14 dated December 31, 2013 and RBI Circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated March 27, 2014.)*

Under the Basel III Capital Regulations, total capital of a bank in India must be at least 9.00% of RWAs (8.00% as specified by the BCBS), Tier I capital must be at least 7.00% of RWAs (6.00% as specified by the BCBS) and Common Equity Tier I capital must be at least 5.50% of RWAs (4.50% as specified by BCBS). Due to the transitional arrangements, the capital requirements of banks may be lower during the initial periods and higher during later years. Therefore, banks have been advised to carry out their capital planning accordingly. In addition to the minimum requirements as indicated above, banks are required to maintain a capital conservation buffer ("**CCB**") in the form of common equity of 2.50% of RWAs. Under the RBI Basel III Guidelines, total capital with CCB has been fixed at 11.50% of RWAs. In July 2014, the RBI released the "Final Report of the Internal Working Group on Implementation of Counter-cyclical Capital Buffer (CCCB)", which requires banks to maintain a buffer of up to 2.50% of RWAs in period of high credit growth as precaution for downturn. Further, as per the RBI's release on "Framework for Dealing with Domestic Systemically Important Banks (D-SIBs)" dated July 22, 2014, domestic systematically important banks ("**D-SIBs**") must have incremental capital of 0.20% to 0.80% and the quantum of capital required is dependent upon size, interconnectedness, substitutability and complexity of the bank.

Further, under the Basel III Capital Regulations, a simple, transparent, non-risk based leverage ratio has been introduced. The BCBS tested a minimum Tier I leverage ratio of 3.00% during a parallel run period from January 1, 2013 to January 1, 2017. The RBI has prescribed that, during this parallel run period, banks should strive to maintain their existing leverage ratios, but in no case should a bank's leverage ratio fall below 4.50%. Banks whose leverage is below 4.50% have been advised to achieve this target as early as possible. This leverage ratio requirement is yet to be finalized and will be finalized taking into account the final proposals of the BCBS. *(Source: RBI Annual Report 2011-2012.)* Additionally, in June 2014, the RBI released guidelines on liquidity coverage ratio ("**LCR**") as part of the Basel III framework on liquidity standards, which will require minimum LCRs starting at 60% as at January 1, 2015, increasing in equal annual steps to 100.00% by January 1, 2019.

Further, Additional Tier I non-equity capital instruments under the Basel III Capital Regulations are expected to provide additional features such as full coupon discretion, and principal loss absorption when the common equity ratio of a bank falls below 6.125% of its risk-weighted assets. In the case of Tier II non-equity capital instruments, the distinction between Upper Tier II and Lower Tier II instruments under Basel II is removed and a single class of Tier II instrument eligibility criteria has been prescribed. Additionally, under the Basel III Capital Regulations, loss absorption features have been included in the event of the occurrence of the "Point of Non-Viability" trigger. The RBI has also fixed the base at the nominal amount of capital instruments outstanding on January 1, 2013, and their recognition will be capped at 90.00% from January 1, 2013, with the cap reducing by 10.00% points in each subsequent year.

On September 4, 2017, HDFC Bank Limited was added to the list of D-SIBs, joining the SBI and ICICI Bank Limited. As designated D-SIBs, the SBI, ICICI Bank Limited and HDFC Bank Limited will have to meet, by April 1, 2019, an additional Common Equity Tier 1 ("**CET1**") buffer requirement of 0.60%, 0.20% and 0.20% as a percentage of RWA, respectively. As the CET1 requirement is implemented in phases, the CET1 requirement for SBI and ICICI Bank Limited were 0.30% and 0.10% for Fiscal 2018, and 0.45% and 0.15% from April 1, 2018, respectively; the CET1 requirement for HDFC Bank Limited would only come into effect from April 1, 2018, at 0.15%. The CET1 requirements are applied in addition to the capital conservation buffer requirement.

Dynamic provisioning guidelines

At present, banks generally make four types of provisions; general provisions on standard assets, specific provisions on NPAs, floating provisions and provisions against diminution in fair value of restructured assets. Since the level of NPAs varies through the economic cycle, the resultant level of specific provisions also behaves cyclically. Consequently, lower provisions during upturns and higher provisions during downturns have a pro-cyclical effect on the real economy. To address the pro-cyclicality of capital and provisioning, efforts at an international level are being made to introduce countercyclical capital and provisioning buffers. (*Source: RBI's Guidelines for implementation of Countercyclical Capital Buffer (CCCB), published on February 5, 2015, available as at November 25, 2017 at https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=9546&Mode=0.*) The RBI has prepared a discussion paper on a countercyclical dynamic provisioning ("**DP**") framework.

The DP framework is based on the concept of expected loss ("**EL**"), which is the average level of losses a bank can reasonably expect to experience, and is considered the cost of doing business. It is generally covered by provisioning and pricing. The objective of DP is to soften the impact of incurred losses on the results of operations through the economic cycle, and not to provide a general provisioning cushion for EL. More specifically, the DP created during a year will be the difference between the long run average EL of the portfolio for one year and the incremental specific provisions made during the year. The parameters of the model suggested in the discussion paper are calibrated based on data of Indian banks. Banks that have the capability to calibrate their own parameters may, with the prior approval of the RBI, introduce a DP framework using the theoretical model indicated by the RBI. Other banks will have to use the standardized calibration provided by the RBI. *(Source: RBI Annual Report 2011-2012 and Discussion Paper on Introduction of Dynamic Loan Loss Provisioning Framework for Banks in India dated March 30, 2012.)*

Financial Holding Company ("FHC")

In June 2010, the RBI set up a working group to examine the different holding company structures prevalent internationally in the financial sector and to examine the feasibility of introducing an FHC structure in India. FHCs are companies that own or control one or more banks or NBFCs. Currently, banks in India are organized under a bank-subsidiary model ("**BSM**"), in which the bank is the parent of all the subsidiaries of the group. In May 2011, the RBI released the working group's recommendations that included, among others, that the FHC model should be pursued as a preferred model for the financial sector in India and that the RBI should be designated as the regulator for FHCs. The recommendations have currently not been implemented. *(Source: RBI Report of the Working Group on Introduction of Financial Holding Company Structure in India and Press Release, available as at November 25, 2017 at http://www.rbi.org.in as at November 2, 2014.)*

Goods and Service Tax

The GST has been implemented with effect from July 1, 2017 and has replaced the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT and surcharge currently being collected by the central and state governments. The GST is expected to be applied to banking transactions, which will increase the tax incidence and administrative compliance costs for banks.

Performance of the Indian Banking Sector

The health of Indian banking sector is affected by various factors, such as changes in the economic conditions of the Indian and global economy, changes in the interest rate environment, movements in global commodity markets and exchange rates, increased global competition, changes in Indian laws, regulations and policies, and rising or falling unemployment. Although India's financial system remains stable due to heavy regulation, the stress on the banking sector, particularly the public sector banks, remains significant.

According to the RBI, the banking stability indicator ("**BSI**") shows that risks to the banking sector remained elevated due to a continuous deterioration in asset quality, and low profitability and liquidity. In particular, SCB deposit growth has increased against slow credit growth, which places pressure on net interest income, especially for public sector banks. Overall, SCB GNPA ratios increased to 9.60% in March 2017 from 9.20% in September 2016 while stressed advances ratios declined to 12.00% from 12.30%. Large borrowers also registered significant deterioration in their asset quality. *(Source: RBI - Financial Stability Report, June 2017.)*

Impact of demonetization on the Indian banking sector

Demonetization has had a significant impact on the balance sheet of scheduled commercial banks, both in terms of size and composition. Between October 28, 2016 (prior to demonetization) and January 6, 2017 (post-demonetization), total currency in circulation declined by about ₹8,800 billion. With the return of specified bank notes ("**SBNs**") to the banking system, there was a sharp increase of about ₹6,720 billion in aggregate deposits of the banking system. This sudden increase in deposits has created large surplus liquidity conditions in the banking system. *(Source: Macroeconomic Impact of Demonetization-A Preliminary Assessment; Reserve Bank of India, March 10, 2017.)*

Re-monetization has been progressing at a fast pace. Between end of December 2016 and early March 2017, there was a net increase in currency in circulation by approximately ₹2,600 billion. During this period, deposits with banks also declined moderately. With progressive re-monetization, the surplus liquidity in the banking system declined from a peak of ₹7,956 billion on January 4, 2017 to an average of ₹6,014 billion in February and further down to ₹4,806 billion in March. Importantly, currency in circulation in terms of number of pieces and value has been steadily rising during this period. *(Source: Macroeconomic Impact of Demonetization- A Preliminary Assessment; Reserve Bank of India, March 10, 2017.)*

Post-demonetization, there has been a surge in the CASA deposits of banks. The sharp increase of 4.10% in the share of CASA deposits in aggregate deposits to 39.30% (up to February 17, 2017) resulted in a reduction in the cost of aggregate deposits. The cost of CASA at 3.20% is significantly lower than the weighted average term deposit rate at 7.10%. Banks have also lowered their term deposit rates; the median term deposit rate declined by 38 basis points ("**bps**") during November 2016 to February 2017. CASA deposits in aggregate deposits with SCBs increased by 4.00% to 39.20% as at March 17, 2017 from the pre-demonetization period. The decline in the cost of funding resulted in decline in the one year median MCLR by as much as 70 bps post-demonetization (November 2016-February 2017). *(Source: Macroeconomic Impact of Demonetization – A Preliminary Assessment; Reserve Bank of India, March 10, 2017.)*

Amidst structural surplus liquidity conditions in the banking system, investment demand was also expected to benefit from the improved transmission of the cumulative 175 bps cut in the repo rate to lending rates as at March 10, 2017. Many banks reduced their MCLR post-demonetization. The positive revenue impact stemming from better reporting of transactions and tax enforcement/compliance was also expected to create space for higher public investment. As at March 10, 2017, the overall business climate was expected to improve as the medium-term positive effects of demonetization start to gain traction. *(Source: Macroeconomic Impact of Demonetization- A Preliminary Assessment; Reserve Bank of India, March 10, 2017.)*

Other Developmental and Regulatory Measures

- The Board for Financial Supervision has approved the review, update and finalization of the existing Prompt Corrective Action ("**PCA**") framework for banks. Under the PCA framework, bank leverage is monitored, and indicators which trigger the updated PCA include the failure to meet capital ratios, NNPA ratio and return on assets. Banks subject to the PCA framework are required to conform to such mandatory and discretionary actions as decided by the RBI.

- Under the SARFAESI Act, 2002, the minimum requirement for ₹20 million of owned funds for asset reconstruction companies ("**ARCs**") was amended in 2016 to ₹20 million of net owned funds. In view of the enhanced role of ARCs and greater cash based transactions, a minimum net owned funds of ₹1 billion for ARCs has been proposed.

- On May 18, 2017, the RBI issued final guidelines on banking outlets, clarifying the definition and harmonizing the treatment of different forms of bank presence for the purpose of opening outlets in underserved areas. These will supersede the branch licensing guidelines in force.

- SEBI has put in place regulations for real estate investment trust ("**REITs**") and Infrastructure Investment Trusts ("**InvITs**") and requested the RBI to allow banks to participate in these schemes. Currently, banks are allowed to invest in equity-linked mutual funds, venture capital funds and equities to the extent of 20% of their net owned funds.

- On February 5, 2015, the RBI issued guidelines on the countercyclical capital buffer for banks. The RBI clarified that the CCCB would be activated as and when the circumstances warranted, and that the decision would normally be pre-announced with a lead time of four quarters.

Credit Policy Measures

Credit Policy during Fiscal 2017

First Bi-monthly Monetary Policy Statement for the year 2016-17 (April 5, 2016)

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was reduced by 25 bps from 6.75% to 6.50%.

- The minimum daily maintenance of the cash reserve ratio ("**CRR**") was reduced from 95.00% of the requirement to 90.00% with effect from the fortnight beginning April 16, 2016, while keeping the CRR unchanged at 4.00% of net demand and time liability ("**NDTL**").

- Continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from 1.00% of NDTL to a position closer to neutrality.

  Narrow the policy rate corridor from +/-100 bps to +/- 50 bps by reducing the MSF rate by 75 bps and increasing the reverse repo rate by 25 bps, with a view to ensuring finer alignment of the weighted average call rate with the repo rate.

- Consequently, the reverse repo rate under the LAF stands adjusted to 6.00%, and the MSF rate to 7.00%. The Bank Rate which is aligned to the MSF rate also stands adjusted to 7.00%.

Second Bi-monthly Monetary Policy Statement for the year 2016-17 (June 7, 2016)

- The policy repo rate under the LAF remained unchanged at 6.50%.
- The CRR of scheduled banks remained unchanged at 4.00% of NDTL.
- Continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from 1.00% of NDTL to a position closer to neutrality.
- Consequently, the reverse repo rate under the LAF will remain unchanged at 6.00%, and the MSF rate and the Bank Rate at 7.00%.

Third Bi-monthly Monetary Policy Statement for the year 2016-17 (August 9, 2016)

- The policy repo rate under the LAF remained unchanged at 6.50%.
- The CRR of scheduled banks unchanged at 4.00% of NDTL.
- Continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from 1.00% of NDTL to a position closer to neutrality.
- Consequently, the reverse repo rate under the LAF will remain unchanged at 6.00%, and the MSF rate and the Bank Rate at 7.00%.

Fourth Bi-monthly Monetary Policy Statement for the year 2016-17 (October 4, 2016)

- The policy repo rate under the LAF reduced by 25 bps from 6.50% to 6.25% with immediate effect.
- Consequently, the reverse repo rate under the LAF stands adjusted to 5.75%, and the MSF rate and the Bank Rate to 6.75%.
- This was in consonance with the objective of achieving CPI inflation at 5.00% by the fourth quarter of 2016-17 and the medium-term target of 4% within a band of an increase or decrease of 2.00%, while supporting growth.

Fifth Bi-monthly Monetary Policy Statement for the year 2016-17 (December 7, 2016)

- The policy repo rate under the LAF remained unchanged at 6.25%.
- Consequently, the reverse repo rate under the LAF remained unchanged at 5.75%, and the MSF rate and the Bank Rate at 6.75%.
- This was in consonance with the objective of achieving CPI inflation at 5.00% by the fourth quarter of 2016 -17 and the medium-term target of 4.00% within a band of an increase or decrease of 2.00%, while supporting growth.

Sixth Bi-monthly Monetary Policy Statement for the year 2016-17 (February 8, 2017)

- The policy repo rate under the LAF remained unchanged at 6.25%.

- This was in consonance with the objective of achieving CPI inflation at 5% by the fourth quarter of 2016-17 and the medium-term target of 4.00% within a band of an increase or decrease of 2.00%, while supporting growth.
- Consequently, the reverse repo rate under the LAF remained unchanged at 5.75%, and the MSF rate and the Bank Rate at 6.75%.

Credit Policy during Fiscal 2018

First Bi-monthly Monetary Policy Statement for the year 2017-18 (April 6, 2017)

- The policy repo rate under the LAF remains unchanged at 6.25%.
- The reverse repo rate under the LAF is at 6.00%, and the MSF rate and the Bank Rate are at 6.50%.
- This is in consonance with the objective of achieving the medium-term target for CPI inflation of 4% within a band of an increase or decrease of 2.00%, while supporting growth.

Second Bi-monthly Monetary Policy Statement for the year 2017-18 (June 7, 2017)

- The policy repo rate under the LAF remained unchanged at 6.25%.
- Consequently, the reverse repo rate under the LAF remains at 6.00%, and the MSF rate and the Bank Rate at 6.50%.
- This is consistent with a neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for CPI inflation of 4.00% within a band of an increase or decrease of 2.00%, while supporting growth.

Third Bi-monthly Monetary Policy Statement for the year 2017-18 (August 2, 2017)

- The policy repo rate under the LAF reduced by 25 bps from 6.25% to 6.00% with immediate effect.
- Consequently, the reverse repo rate under the LAF reduced to 5.75%, and the MSF rate and the Bank Rate to 6.25%.
- This is consistent with a neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for CPI inflation of 4% within a band of an increase or decrease of 2.00%, while supporting growth.

Fourth Bi-monthly Monetary Policy Statement for the year 2017-18 (October 4, 2017)

- The policy repo rate under the LAF remained unchanged at 6.00%.
- Consequently, the reverse repo rate under the LAF remains at 5.75%, and the MSF rate and the Bank Rate at 6.25%.
- This is consistent with neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for CPI inflation of 4.00% within a band of an increase or decrease of 2.00%, while supporting growth.

Fifth Bi-monthly Monetary Policy Statement for the year 2017-18 (December 6, 2017)

- The policy repo rate under the LAF remained unchanged at 6.00%.
- Consequently, the reverse repo rate under the LAF remains at 5.75%, and the MSF rate and the Bank Rate at 6.25%.
- This is consistent with neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for CPI inflation of 4.00% within a band of an increase or decrease of 2.00%, while supporting growth.

Future Outlook and Key Trends

Going forward, banks will need to move towards the mandated higher capital standards, stricter liquidity and leverage ratios and a more cautious approach to risk. This implies that Indian banks will need to improve efficiency even as their costs of doing business increase. They will need to refine their risk management skills for enterprise-wide risk management. In addition, banks need to have in place a fair and differentiated risk pricing of products and services, since capital comes at a cost. This involves costing, a quantitative assessment of revenue streams from each product and service and an efficient transfer-pricing mechanism that would determine capital allocation.

Due to the demonetization and digitization push by the GoI, banks will also need to develop their digital banking infrastructure to provide mobile and online services to their customers. These services would not only have to facilitate online payments and transactions, but also the creation of new accounts and the checking of existing accounts. This digitization push has led to banks competing to implement their digitization strategies, for example, the launch of a cashless payment system by IDFC Bank Limited called *Aadhar PAY*, the digitization of entire villages by the Bank of India and Vijaya Bank whereby local village economies are converted to a cashless economies, and even the basic strategy of various banks increasing their social media presence on *Twitter*, *Facebook* and *YouTube*.

Banks need to effectively utilize the various measures put in place by the RBI and the GoI for the resolution and recovery of bad loans in order to reduce the NPAs on their books. They also have to strengthen their due diligence, credit appraisal and post-sanction loan monitoring systems to minimize and mitigate the problem of increasing NPAs during Fiscal 2018 and beyond.

OUR BUSINESS

*This section should be read in conjunction with the sections "**Selected Statistical Information**", "**Risk Factors**", "**Industry Overview**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" as well as the financial information included in "**Financial Statements**" beginning on pages 135,43, 157,83, and 270, respectively.*

Unless otherwise indicated, references to "the Bank", are to Punjab National Bank on a standalone basis and references to "the Group", "we", "us", "our", are to Punjab National Bank, its Subsidiaries, Associates and Joint Venture on a consolidated basis. Unless otherwise indicated, the financial information used in this section is derived from the Bank's limited reviewed unaudited condensed standalone financial statements as at and for the six month periods ended September 30, 2017 and September 30, 2016, and our audited standalone and consolidated financial statements as at and for the years ended March 31, 2017, 2016 and 2015.

Overview

The Bank commenced operations on April 12, 1895 and has grown to become the second largest public sector bank in terms of total advances, deposits and assets as at March 31, 2017, according to the Indian Banks' Association.

The Bank has a presence throughout India with a total of 6,940 branches, two-thirds of which are located within rural and semi-urban areas in India, 9,753 ATMs, 8,224 banking correspondents and more than 10.00 crore customers as at September 30, 2017. The Bank also has overseas presence in nine countries through its branches, representative offices, Subsidiaries, Joint Venture and Associates outside India. The Government of India ("**GoI**") owned 65.01% of the Bank's share capital as at September 30, 2017.

As at September 30, 2017, the Bank had gross deposits, gross advances and a total asset base of ₹6,36,208.35 crore, ₹4,32,985.43 crore and ₹7,32,115.53 crore, respectively. As at September 30, 2017, the Bank's market share of aggregate domestic deposits was 5.19%, and its market share of aggregate domestic advances was 4.86%. (*Source: RBI data.*)

As at September 30, 2017, the Bank's market share of aggregate domestic deposits was 5.19%, and its market share of aggregate domestic advances was 4.86%. (*Source: RBI data.*) We also have a large stable percentage of relatively low-cost CASA deposits within our deposit mix. The Bank's ratio of CASA deposits to its total domestic deposits as at September 30, 2017 was 44.38% and our ratio of CASA deposits as at March 31, 2017, March 31, 2016 and March 31, 2015 was 45.97%, 41.63% and 40.57%, respectively.

Further, we have, for the past three years largely achieved the goals set forth for the priority sector under the applicable RBI circular for priority sector lending targets and classification (the "**Priority Sector Circular**"), which sets out that 40% of the adjusted net bank credit ("**ANBC**") should be provided to the priority sector ("**Priority Sector Credit**"), with 18% and 10% of such Priority Sector Credit provided to the agriculture sector and the weaker sections (as identified in the Priority Sector Circular), respectively, and that 5% of ANBC should be credited to women beneficiaries, among others. For further details, see "***Regulations and Policies—Directed Lending***" on page 215.

We are focused on continuing our investment in our technology platforms and systems. Our direct banking platforms enable us to connect with our customers through alternate channels by improving customer retention and supporting the increase in volume of customer transactions.

Our principal business operations are broadly categorized into four segments: our corporate/wholesale banking segment comprises commercial banking products and transactional services, which are provided to our corporate and institutional clients; retail banking comprises financial products provided to our retail customers; treasury operations comprising primarily of statutory reserves management, liquidity management and other such services and other banking operations comprising primarily of rural business and agri-business.

The range of products and services offered by the Bank includes loans and advances, deposits, foreign exchange products, retail lending and deposits and fee and commission based products and services. Our principal banking operations include:

- *Retail banking*: Our retail banking products include loans and deposit products targeted primarily at individuals (salaried, self-employed professionals and other self-employed individuals) to meet their personal financial requirements, such as housing, vehicle, education and other personal requirements.

- *Corporate banking:* Our corporate banking operations cater to the business needs of various companies, institutions and other enterprises in the public and private sector. Our corporate banking loans include fund based and non-fund based products, of which the fund based products consist of term loans as well as working capital facilities. We also offer trade loans, bridge financing and foreign currency loans. We also provide finance to corporates through syndication of loans.
- *MSME banking:* Our micro, small and medium enterprises ("**MSME**") banking products include loans to entrepreneurs engaged in manufacturing, service and trading activities in the form of investment as well as working capital.
- *Agricultural banking:* Our agricultural banking operations cater to farmers and agriculture based entrepreneurs through various short, medium and/or long term loan products.

The Bank is also present, through its Subsidiaries, Joint Venture and Associates, in diverse segments of the Indian financial sector, including asset and funds management, investment banking, housing finance and life insurance. The Bank contributed 98.23% of our total consolidated assets as at March 31, 2017.

The table below sets forth summaries of certain of the Bank's key operating and financial performance parameters, as at and for the periods indicated below.

(*In ₹ crores, except percentages*)

Operational and Financial performance parameters*	As at and during the six month period ended September 30, 2017	As at and for the years ended March 31,		
		2017	2016	2015
Average interest-earning assets	6,78,809.10	6,30,481.70	5,89,058.73	5,26,138.68
Net interest income	7,870.32	14,993.17	15,311.78	16,555.57
Average total assets	7,50,175.09	7,01,104.90	6,51,469.95	5,79,180.68
Average yield(1)	7.20%	7.50%	8.05%	8.80%
Average cost of funds(2)	5.04%	5.24%	5.64%	5.91%
Spread(3)	2.16%	2.25%	2.41%	2.90%
Net interest margin(4)	2.32%	2.38%	2.60%	3.15%
Return on average equity(5)	4.19%	3.19%	(9.78%)	8.01%
Return on average assets(6)	0.25%	0.19%	(0.62)%	0.53%
Tier I capital adequacy ratio	8.88%	8.91%	8.41%	9.30%
Tier II capital adequacy ratio	2.68%	2.75%	2.87%	2.91%
Total capital adequacy ratio	11.56%	11.66%	11.28%	12.21%
Net NPAs(7)	34,570.15	32,702.10	35,422.56	15,396.50
Net NPAs ratio(8)	8.44%	7.81%	8.61%	4.06%
Credit to deposit ratio(9)	68.80%	70.50%	78.80%	77.70%
Cost to income ratio(10)	46.35%	39.17%	46.79%	46.74%
Interest coverage ratio(11)	1.07	1.05	0.89	1.12
Provisioning coverage ratio(12)	59.23	58.57	51.06	58.21
CASA ratio(13)	44.32	45.97	41.63	40.57
Gross total advances	4,32,985.43	4,41,751.36	4,32,775.04	3,92,422.15
Gross Deposits	6,36,208.35	6,21,704.02	5,53,051.13	5,01,378.64

**The average balance in respect of total assets is the monthly average of balances outstanding, as reported to the RBI. In respect of the average balance of advances, investments and deposits, which are computed on the basis of daily average of balances outstanding, as reported to the RBI. All other average balances, such as average yields and average costs, are quarterly average of balances outstanding, as reported to the RBI.*

(1) *Average yield of interest earning assets.*

(2) *Average cost of interest bearing liabilities. Excludes equity and includes the cost of Tier 2 and subordinated bonds.*

(3) *Spread is the difference between yield on average interest earning assets and cost of funds.*

(4) *Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest- bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.*

(5) *Return on average equity is the ratio of the net profit after tax to the quarterly average net worth (capital plus reserves).*

(6) *Return on average assets is the ratio of the net profit after tax to the quarterly average assets.*

(7) *Net NPAs reflect the Bank's gross NPAs less provisions for NPAs.*

(8) *Net NPAs ratio is the ratio of net NPAs divided by net advances.*

(9) *Credit to deposit ratio is calculated as a ratio of total domestic advances excluding interbank advances to total domestic deposits excluding inter-bank deposits.*

(10) *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).*

(11) *Interest coverage ratio is calculated as net profit and depreciation on the Bank's property, divided by interest expended.*
(12) *Provisioning coverage ratio reflect the ratios of provisions created for NPAs to net NPAs.*
(13) *Ratio of current account deposits and savings account deposits to domestic deposits (including inter-bank deposits).*

We have received several awards in recognition of the Bank's operations and performance, as set out below.

Year	Certification/award	Awarding organization or authority
2017	Best Public Sector Undertaking Bank - Government Scheme Participation, *Pradhan Mantri Yojana*	Dun & Bradstreet
2016	Golden Peacock National Training Award	Institute of Directors
2015	Social Banking Excellence Award, 2015-Rural Banking Category (Large Bank)	Associated Chambers of Commerce and Industry of India
2015	Banking Excellence Award (runner-up)	Chamber of Indian Micro, Small and Medium Enterprises
2015	Agriculture Leadership Award, 2015	Agriculture Today
2014	Banking Excellence Award (runner-up)	Chamber of Indian Micro, Small and Medium Enterprises
2014	Corporate Social Responsibility Award	Federation of Indian Chambers of Commerce & Industry

Competitive Strengths

Strong Industry Presence

With over 120 years of banking services, we believe that we are one of the well-recognized public sector bank brands in India. Through our expansive operations across India, we have over the years provided a banking platform that has aided in the growth of financial and commercial activity across India, enabling us to strengthen our brand, reputation and goodwill.

We have capitalized on our strong brand by establishing an extensive branch network throughout India serving a broad range of customers in rural, urban and semi-urban regions. As at September 30, 2017, the Bank had 6,940 domestic branches, 9,753 ATMs and over 10.00 crore customers compared to 6,559 branches, 8,348 ATMs and 8.43 crore customers as at March 31, 2015. Of our 6,940 branches as at September 30, 2017, approximately 61.61% were located in rural and semi-urban areas. The Bank's branch network is further complemented by its digital strategy, including online and mobile banking solutions, to provide its customers with access to on-demand banking services, which we believe allows us to develop strong and loyal relationships with our customers.

As a result of our brand recognition and widespread presence across India, we believe that we rank favorably among public sector banks in India. We have an established market presence in several business segments in which we operate. We provide agricultural, MSME and retail loans in India. We were the second largest public sector bank in terms of deposits, advances, assets and branches as at March 31, 2017, according to the Indian Banks' Association. The Bank's gross deposits aggregated to ₹6,36,208.35 crore as at September 30, 2017 and our deposits aggregated to ₹6,21,704.02 crore, ₹5,53,051.13 crore and ₹5,01,378.64 crore as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively, growing at a CAGR of 11.35% from March 31, 2016 to March 31, 2017. The Bank's gross total advances aggregated to ₹4,32,985.43 crore as at September 30, 2017 and our gross total advances aggregated to ₹4,41,751.36 crore, ₹4,32,775.04 crore and ₹3,92,422.15 crore as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively. According to the Indian Banks' Association, as at March 31, 2017, the Bank had the second largest asset size among public sector banks in India, aggregating to ₹7,20,330.55 crore.

Additionally, we have also adopted alternate channels to increase our presence across India in a cost-effective manner, by engaging banking correspondents in rural and semi-urban areas. As at March 31, 2015, we had engaged an aggregate of 8,033 banking correspondents, which increased to 8,224 as at September 30, 2017. As at September 30, 2017, out of an aggregate of 8,224 banking correspondents engaged by us, 7,017 were located in rural and semi-urban areas.

We believe that our operational performance reflects our industry position. The Bank's domestic NIM was 2.60%, 2.69%, 2.95% and 3.55% during the six month period ended September 30, 2017 and during Fiscals 2017, 2016 and 2015, respectively. During September 30, 2017 and Fiscals 2017, 2016 and 2015, the Bank's return on average equity was 4.19%, 3.19%, (9.78%) and 8.01%, respectively, the return on average assets was 0.25%, 0.19%, (0.62)% and 0.53%, respectively, and the cost to income ratio was 46.35%, 39.17%, 46.79% and 46.74%, respectively.

In addition, our Promoter and majority shareholder, the GoI, held 65.01% of our paid-up and issued share capital as at September 30, 2017. We believe that our relationship with the GoI enhances our brand value and goodwill.

Strength of portfolio, with a focus on balance, quality and profit

Well balanced offerings

Our expansive network enables us to provide banking services to a large, diverse and growing customer base, including large industries, corporates and state-owned enterprises, as well as commercial, agricultural, industrial and retail customers. We offer a range of banking products and services and we are also a participant bank for direct benefit transfer ("**DBT**") transactions, a GoI program to effect direct transfers of subsidies targeted at women, children and social welfare. Our comprehensive product and service offering includes short-term and long-term deposits, secured and unsecured loans, internet banking, mobile banking, agricultural and micro-finance banking products as well as project finance loans. We are also present through our Subsidiaries, Joint Venture and Associates in diverse segments of the Indian financial sector, including asset and funds management, investment banking, housing finance and life and medi-claim insurance. The Bank offers a customized medi-claim policy "PNB-Oriental Royal Mediclaim Policy", exclusively for our account holders and employees, which is sold through our branches across India, with premiums which we consider to be comparable with other health insurance providers. We are therefore able to address the entire range of our customers' banking and financial product and service requirements.

Our diversified product and service offerings enhance our funding mix and also enable us to have a diverse customer base. For instance, as at September 30, 2017, approximately 90% of the Bank's gross advances, aggregating to ₹ 3,90,981.88 crore were provided domestically. Out of the Bank's total loan portfolio of gross domestic advances, as at September 30, 2017, approximately 31.36%, aggregating to ₹1,22,604 crore were to large industries, 20.29% aggregating to ₹79,301 crore were to MSMEs, 18.21% aggregating to ₹71,173 crore were to retail and 17.27% aggregating to ₹67,503 crore were to the agriculture and allied services.

We have also executed a memorandum of understanding dated October 23, 2017 with the Engineering Export Promotion Council of India ("**EEPC**") to provide easy access to finance for MSMEs and merchant exporters members of the EEPC. Pursuant to such memorandum of understanding, we will provide finance to members of the EEPC on the condition that loans up to a certain amount will be provided with six to seven weeks. We will also extend foreign currency loan facilities and provide advisory support to EEPC members to finance projects through our foreign exchange branches.

Portfolio Quality

We have maintained quality loan and investment portfolios by targeting our customer base. The Bank's ratio of gross NPAs to gross advances was 13.31% as at September 30, 2017 and the Bank's net NPAs amounted to 8.44% of its net advances. In addition, we have restructured the payment terms of certain of our loans. As at September 30, 2017, such restructured loans represented 2.41% of the Bank's gross advances.

We also believe that our diversified portfolio of loans limits our exposure to NPAs. As at September 30, 2017, the infrastructure sector accounted for approximately 11.86% of the Bank's global advances and 11.88% of the Bank's gross NPAs, the metal sector accounted for approximately 6.16% of the Bank's global advances and 26.62% of the Bank's gross NPAs, textiles accounted for 2.41% of the Bank's global advances and 3.55% of the Bank's gross NPAs, food processing accounted for 2.28% of the Bank's global advances and 3.95% of the Bank's gross NPAs, chemicals accounted for 2.13% of the Bank's global advances and 1.70% of the Bank's gross NPAs.

As at September 30, 2017, the Bank's provision coverage ratio (including technical written-off accounts) stood at 48.98%, 53.21%, 53.37%, 71.54% and 79.24% for the metal, infrastructure, food processing, textile and chemical sectors, respectively, and as at that date, the Bank's overall provision coverage ratio was 59.23%. Further, we are focusing on segments such as roads and infrastructure, and other such relatively strong sectors, which benefit from government initiatives such as *Bharatmala*, a sponsored and funded road and highway project undertaken by the GoI and the *Sagarmala* project, an initiative undertaken by the GoI to enable the establishment of a number of ports and enhancing connectivity of ports in order to further limit our exposure to NPAs.

Our gross NPAs were 12.53% of total advances as at March 31, 2017 and 12.90% as at March 31, 2016 and our net NPA was 7.81% as at March 31, 2017 and 8.61% as at March 31, 2016. We believe that our NPAs have reduced since Fiscal 2016 as a result of the steps taken by us to diversify and improve the quality of our loan portfolio. We have also implemented certain initiatives to control slippages, as a result of which our fresh slippages have decreased to ₹8,448.79 crore during the six month period ended September 30, 2017 from ₹11,244.57 crore during the six month period ended September 30, 2016 and to ₹20,251.53 crore during Fiscal 2017 from ₹41,059.83 crore during Fiscal 2016.

Also see "***Selected Statistical Information—NPAs***", "***Risk Factors—We have a high concentration of loans to certain customers and if a substantial portion of these loans were to become non-performing, the quality of our loan portfolio could be adversely affected. In addition, we are exposed to risks relating to concentration of our NPAs.***" and "***Risk Factors—We are exposed to risks related to high levels of customer default and the resulting increase in NPAs as well as the provisions required under the requirements mandated by the RBI.***", on pages 151, 45 and 44, respectively.

Investments in Subsidiaries and Associates

We have five Subsidiaries, one Joint Venture and ten Associates (including five Regional Rural Banks), which in the aggregate contributed ₹(137.56) crore and ₹338.01 crore to our consolidated profit/(loss) during Fiscals 2017 and 2015, respectively, representing (11.59)% and 9.94% of our consolidated profit/(loss) during those periods, respectively. During Fiscal 2016, our Subsidiaries, Joint Venture and Associates generated an aggregate of ₹284.63 crore of profit, while the Bank made a loss of ₹3,974.39 crore on a standalone basis, which resulted in our loss of ₹3,689.76 crore on a consolidated basis. Of our foreign subsidiaries, Punjab National Bank (International) Limited provides banking solutions in the United Kingdom through seven branches and as at September 30, 2017, had assets aggregating ₹8,995.71 crores. Druk PNB Bank Limited was the first bank in Bhutan with foreign direct investment and conducts its banking operations through seven branches and 21 ATMs in Bhutan.

PNBHFL, one of our Associates, is a housing finance company with operations across India. As at September 30, 2017, PNBHFL had total assets of ₹53,739.79 crores and our share of its profits during the six month period ended September 30, 2017 was ₹153.48 crores. PNB Metlife Insurance Company Limited is a provider of domestic life insurance and has insured over 0.36 crore persons and has a presence in over 7,000 locations across India. Our share of its profits during the six month period ended September 30, 2017 was ₹7.49 crores. PNB Gilts Limited is a primary dealer in the primary and secondary market for government securities. As at September 30, 2017, it had total assets of ₹ 6,473.56 crores and our share of its profits during the six month period ended September 30, 2017 was ₹ 29.29 crores.

Strong retail presence, with a focus on financial inclusion

Retail credit has been a principal focus area for the Bank. The Bank's retail advances, which comprise housing loans, vehicle loans, education loans, personal loans, mortgages and gold loans ("**Retail Advances**") increased by 15.88% to ₹71,173.00 crore as at September 30, 2017 from ₹61,422.00 crore as at September 30, 2016. Within the Bank's retail advances segment, the Bank's housing, vehicle and education loans experienced a growth of 19.69%, 17.83% and 11.86% respectively, from September 30, 2016 to September 30, 2017.

Further, we have also launched a scheme, *PNB Pride*, to provide housing and vehicle loans to government employees at a concessional interest rate and we have entered into memoranda of understanding with certain public sector undertakings and state governments for providing retail loans to their employees.

We have large customer deposits. The Bank's customer gross deposits aggregated to ₹6,36,208.35 crore as at September 30, 2017 and our customer deposits aggregated to ₹6,21,704.02 crore, ₹5,53,051.13 crore and ₹5,01,378.64 crore, as at March 31, 2017, March 31, 2016, and March 31, 2015, respectively. As at September 30, 2017, the Bank's market share of aggregate domestic deposits was 5.19%, and its market share of aggregate domestic advances was 4.86%. (*Source: RBI data.*) We also have a large, stable percentage of relatively low-cost CASA deposits within our deposit mix. The Bank's ratio of CASA deposits to its total domestic deposits as at September 30, 2017 was 44.38% and our ratio of CASA deposits as at March 31, 2017, March 31, 2016 and March 31, 2015 was 45.97%, 41.63% and 40.57%, respectively. Our funding requirements are met through third-party funding and are predominantly derived from the low-cost demand and savings deposits from customers and other financial institutions. Deposits constituted 86.31% of our total liabilities as at March 31, 2017 and contributed 92.72% to our average cost of funds during Fiscal 2017. Also see "***Risk Factors—The effects of the Government of India's recent demonetization decision are uncertain***" on page 50.

We have also undertaken certain steps towards meeting our financial inclusion goals. During Fiscal 2017, we deployed RuPay Card enabled micro ATMs, which are hand-held devices, in order to make ATMs viable at rural or semi-urban centres at certain of the locations where the Bank is located. As at September 30, 2017, we had deployed 5,752 micro ATMs across rural and semi-urban locations. During Fiscal 2017, we also launched a contactless credit card, "PNB Wave and Pay", which uses radio frequency identification for making secure payments.

We have, for the past three years largely achieved the goals set for the priority sector under the Priority Sector Circular, which sets out that 40.00% of the ANBC should be provided to the priority sector, with 18% and 10% of such Priority Sector Credit provided to the agriculture sector and the weaker sections (as identified in the Priority Sector Circular), respectively, and 5.00% of ANBC should be credited to women beneficiaries, among others.

Set out below are details of our financial inclusion targets.

Parameter	National Goals (based on the Priority Sector Circular)	September 30, 2017	
		Achieved	Outstanding Balance *(in ₹ crores, unless specified otherwise)*
Priority sector			
Priority sector (% of ANBC)	40	40.15	1,46,679
Total agriculture advances (% of ANBC)	18	18.48	67,503
Small and marginal farmers (% of ANBC)	8	9.00	32,865
Other national goals			
Micro enterprises accounts (year on year growth) (%)	10	15.90	7,80,500
Credit to micro enterprises (% of ANBC)	7.5	6.92	25,290

As at March 31, 2017, March 31, 2016 and March 31, 2015, we had achieved the targets set out for us by the RBI for lending to the priority sector, amounting to 40.49% 40.75% and 40.06% of our ANBC, respectively.

The GoI launched the *Pradhan Mantri Jan-Dhan Yojana* ("**PMJDY**") in Fiscal 2015 to ensure access to financial services to a large segment of the country with a view to promote financial inclusion. Pursuant to the scheme, as at September 30, 2017, the Bank had opened over 1.70 crore "*jan dhan*" accounts.

Experienced leadership team

Our leadership team, including our Board of Directors, consists of professionals with experience in the banking and finance industries. Our executive directors and senior management have served in national banks and in the financial services sector at various levels. Our Board is supported by a team of senior management professionals. The experience and expertise of our Board and senior management team across a variety of disciplines and industries assists us in understanding the preferences of our customers and adapt our business and operations accordingly.

We believe that our leadership team's comprehensive industry experience and expertise has contributed to the development of our brand over the years. We believe that having a management team with such breadth and depth of experience is well suited to leverage the competitive strengths that we have developed across our large, diverse and growing network and that our management team has created a clear, strategic direction for us which will allow us to expand and maintain its position as a leading public sector bank in India.

Strategies

Continued focus on improving operating performance

We continue to enhance our productivity by creating an organizational culture of cost control and operational efficiencies. In order to achieve this, we aim to optimize our allocation and utilization of resources, and effectively balance human resources, processes and technology. We also intend to continue to focus on improving efficiency levels of the Bank measured through its cost-to-income ratio, which was 46.35%, 39.17%, 46.79% and 46.74% during the six month period ended September 30, 2017 and during Fiscal 2017, 2016 and 2015, respectively.

We believe we have optimized the utilization of resources by adopting alternate channels to increase our presence across India, in a cost-effective manner by engaging banking correspondents. As at March 31, 2015, we had engaged an aggregate of 8,033 banking correspondents, which increased to 8,224 as at September 30, 2017. By engaging banking correspondents, we have decreased costs on human resources and capital expenditure on establishing brick and mortar banks

Further, we focus on increased operational efficiencies by further optimizing our operating platform through technology enhancement and process streamlining, in order to achieve a more efficient operating model and to support new business models and distribution channels. We also have established single service window mechanisms through our retail asset processing centres, which provide for faster turn-around time, thereby increasing our operational efficiencies. Additionally, we continue to focus on increasing customer usage of the Bank's internet banking platform in order to effect a significant reduction in its transaction costs.

For further details on the digital initiatives undertaken by us, see "***—Focus on digitization and technology***" on page 181. Also see "***Risk Factors— Significant security breaches could adversely affect our business. We may face cyber threats attempting to exploit our network to disrupt services to customers and/or theft of sensitive internal Bank data or customer information***" on page 62.

In order to achieve increased customer usage, we conduct technology learning programs every month at certain branches to engage with our customers and to encourage increased usage of the Bank's internet banking services, ATMs, cash deposit machines, mobile banking applications, net banking, point of sale ("**PoS**") machines and green remit cards, in addition to providing guidance on secure usage of these channels.

Further, we assimilate and intend to continue assimilating relevant customer information at our branches and ATMs in order to assess the suitability of the branch or ATM location and accordingly monitor our cost efficiencies. For instance, we are in the process of merging or closing certain of our branches and ATMs which are not presently being utilized at optimal capacity, in order to decrease our operating costs. We also have undertaken certain initiatives to centralize our operations. For instance, we are in the process of centralizing and digitizing our filings for tax deducted at source from depositors, vendors, employees and pensioners, which we believe will decrease our operating costs.

We believe we can maintain a relatively low-cost funding base, by leveraging our strengths, such as our brand name, and expanding our base of retail savings and current deposits. The Bank's average cost of funds (excluding equity) was 5.04% during the six month period ended September 30, 2017 and our average cost of funds (excluding equity) was 5.24% during Fiscal 2017. The Bank's CASA deposits share was 44.38% of our total domestic deposits as at September 30, 2017 and our CASA deposits share was 45.97%% of our total domestic deposits as at March 31, 2017. As a result, the Bank's operating costs declined by 2.15% to ₹5,611.72 crore as at September 30, 2017 from ₹ 5,735.16 crore as at September 30, 2016.

Also see "***Risk Factors—The effects of the Government of India's recent demonetization decision are uncertain***" on page 50.

Focus on portfolio quality

Though a reduction in impaired assets and an improvement of the quality of our assets through recovery and due diligence measures have been our key focus area in the recent past, we intend to continue to focus on reducing our impaired assets with the objective of reducing our NPA levels, while improving the quality of our assets. The Bank's gross NPAs, as a percentage of gross advances, were 13.31% and 12.53% as at September 30, 2017 and March 31, 2017, respectively, compared with 13.63% and 12.90% as at September 30, 2016 and March 31, 2016, respectively. The Bank's gross NPAs were ₹57,630.11 crore and ₹55,370.45 crore, respectively, and the Bank's net NPAs were ₹34,570.15 crore and ₹32,702.11 crore, respectively, as at September 30, 2016 and March 31, 2016. As at September 30, 2017, large industry, MSME and retail comprised 32%, 20% and 18% of the Bank's gross domestic advances, respectively. We have diversified our gross domestic advances, such that as at September 30, 2017, the Bank's advances to large industry, MSME and retail were ₹1,22,600 crore, ₹79,300 crore and ₹71,200 crore as compared to ₹1,20,200 crore, ₹79,300 crore and ₹61,400 crore, respectively, as at September 30, 2016, demonstrating a yearly growth of 2%, 0% and 16% respectively.

In the first quarter of Fiscal 2018, we launched "*Parivartan*", our business transformation strategy ("**BT Strategy**"), with the principal objectives of (a) improving credit growth and asset quality; (b) leveraging alternate delivery channels and (c) increasing profitability. As part of the BT Strategy, we intend on improving our credit growth and our asset quality by undertaking certain initiatives such as the "get them campaign" which endeavours to bring in high rated customers and the establishment of single service window mechanisms through our retail asset processing centres, which provide for faster turn-around time, thereby increasing our operational efficiencies. Our strategies for reducing NPAs include improving the quality of credit through compliance with documented loan sanction policies and procedures and by actively monitoring the Bank's loan accounts, which are considered to be "special mention accounts" or "likely NPAs" on a daily basis. We are also placing emphasis on segments such as roads and infrastructure, and other such relatively strong sectors, which benefit from government initiatives such as *Bharatmala*, a sponsored and funded road and highway project undertaken by the GoI and the *Sagarmala* project, an initiative undertaken by the GoI to enable the establishment of a number of ports and enhancing connectivity of ports in order to further limit our exposure to NPAs.

Further, we have adopted certain initiatives to reduce slippages and continue to take actions for speedy recoveries from overdue loan accounts, including the identification of stressed accounts for restructuring (or re-phasing in time), regular follow-up of due payments in loan accounts, conducting e-auctions for the sale of seized assets to asset reconstruction companies ("**ARCS**") and the initiation of stringent recovery or resolution measures against wilful defaulters, including actively participating in insolvency and bankruptcy proceedings of defaulting borrowers. We have appointed third party recovery or resolution agents for the expeditious recovery of NPAs and written off accounts. We have also set up an exclusive 'war room' to pro-actively monitor certain accounts which we may have significant exposure to. Additionally, we have also instituted a 'one-time settlement' mechanism with effect from May 1, 2017 which will be in effect until December 31, 2017 for resolving NPA accounts in the doubtful and loss category which have been outstanding for three years or more, with an outstanding of up to ₹5 crore, which we believe will result in recoveries. The one-time settlement mechanism had resulted in recoveries of ₹172.59 crore, until October 31, 2017.

Credit monitoring is a regular process of our day to day management of our credit portfolio. While all branch heads continue to be responsible for monitoring their respective loan portfolio, an additional layer of oversight is provided by our credit monitoring department. We have also formed a credit management committee, which is responsible for reviewing, strategizing and improving the management of our NPAs. We will continue to follow and strengthen the practice of credit monitoring and to improve the asset quality and continue to focus on investment grade borrowers with strong credit ratings.

Focus on digitization and technology

We believe that the increased usage of internet by consumers and access to data networks in India has led to the need for a comprehensive digital strategy by banks and financial institutions to proactively develop new methods of reaching customers. We intend to leverage our advanced technology infrastructure to further improve client and transaction management and achieve enhanced efficiency and productivity levels. We currently provide a range of options for customers to access their accounts, including internet banking and telephone banking, which as at September 30, 2017, facilitated more than 0.83 crore and 0.38 crore transactions, respectively, at the Bank. During Fiscal 2017, we also started use of a mobile based application, based on a Unified Payment Interface ("**UPI**") developed by the National Payments Corporation of India called "Bharat Interface for Money" ("**BHIM**"), pursuant to which our customers were able to access their bank accounts through their mobile devices. As at March 31, 2017, we had approximately 0.06 crore of our accounts registered with BHIM.

We believe additional investment in our technology infrastructure and in-house analytics to further develop our digital strategy will allow us to cross-sell a wider range of products available on our digital platform in response to our customers' needs and thereby expand our relationships across a range of customer segments. As our customers can interact with us more frequently than previously and easily access their accounts wherever and whenever they desire, we believe that a comprehensive digital strategy will provide opportunities for development of long-term customer relationships.

We plan to focus on operational and cost efficiencies, expansion of service delivery models and increasing penetration among existing and new customer segments. We have migrated all of our branches to our core banking application platform and expanded our ATM and internet banking networks, providing a comprehensive suite of mobile banking, debit and prepaid card services, and payment systems. We have undertaken certain initiatives during Fiscal 2018 such as the introduction of a pilot scheme *PNB E-Rupaya* pursuant to which we introduced pre-paid cards which may be used for digital transactions in rural areas with limited internet connectivity. Based on the success of the pilot scheme, we have identified 26 villages across India where the implementation of the PNB E-Rupaya Scheme is in the process of being implemented. We continue to focus on increased operational efficiencies by further optimizing our operating platform through technology enhancement and process streamlining, in order to achieve a more efficient operating model and to support new business models and distribution channels.

Also see "***Risk Factors—If we are unable to adapt to rapid technological changes, our business could suffer. Implementation of new information technology systems may result in technical difficulties.***" and "***Risk Factors—Significant security breaches could adversely affect our business. We may face cyber threats attempting to exploit our network to disrupt services to customers and/or theft of sensitive internal Bank data or customer information***" on pages 61 and 62, respectively.

Focus on capital optimization and explore sale of non-core assets

We have implemented a risk management architecture with focus on maximizing our business operations that, we believe, will in turn maximize our profits or return on average equity. In order to enable a more efficient, equitable and prudent allocation of resources, we endeavour to benchmark our operations on globally accepted risk management systems and conform to the Basel III framework, particularly in relation to capital adequacy. The Bank's capital adequacy ratio as at September 30, 2017, March 31, 2017, March 31, 2016 and March 31, 2015, in accordance with Basel III norms, was at 11.56%, 11.66%, 11.28% and 12.21%, respectively.

To counter the impact of the NPAs on our financial position, we are following a multi-pronged approach including creation of a robust follow-up and recovery mechanism that is monitored from our head office and creation of specialized NPA recovery branches to take control over high value NPAs from our other branches.

Further, we aim to reduce our dependence on high cost deposits and have already managed to reduce this to 0.09% of our total deposits during Fiscal 2017 from 2.42% during Fiscal 2015. This, we believe, will help in reducing our cost of funds. Additionally, we are also in the process of rationalizing our branch structure and reallocating resources to increase efficiencies and further aim to improve productivity by creating a culture of cost control and operational efficiency internally by striking an effective balance between people, processes and technology through the optimal allocation and utilization of resources.

We will focus on improving our capital adequacy ratios and focus on capital optimization. In order to enhance our capital base, in addition to this Issue, we intend to undertake the sale of non-core assets and investments as well as our shareholding in certain of our Subsidiaries and Associates. We have undertaken and are in the process of monetizing certain of our non-core assets such as certain real estate investments and properties. For instance, we have in November 2017, sold 98,15,860 equity shares of our Associate, PNBHFL, representing 5.88% of our shareholding in that entity pursuant to which we received proceeds of ₹1,312.30 crore.

See "***Risk Factors— The implementation of Basel III Guidelines may adversely affect us and we may face certain difficulties in maintaining our prescribed capital adequacy ratios. Failure to comply with the capital adequacy requirements stipulated by the RBI may materially and adversely affect our business and operations***" on page 46.

Focus on profitable growth in the priority segment

We believe that our priority sectors, such as agriculture and MSME industries, offer large and potentially profitable growth opportunities. Approximately 17.32% of India's GDP is derived from agriculture and the agricultural industry supports approximately two-thirds of India's population and accounts for approximately 12.26% of India's export earnings, according to the Ministry of Commerce and Industry. As at September 30, 2017, the Bank operated 61.61% of its branches were located in rural and semi-urban centers. We intend to maintain and enhance our position in agricultural lending and further strengthen our ties with the agricultural community and related agri-based industry participants.

We have a nationwide presence in, and extend finance to, the MSME industry. The Bank intends to further expand its MSME sector banking activities, which is in the process of getting further integrated into the formal Indian economic and banking system after the recent implementation of the GST regime.

As part of the Bank's strategy to focus its priority sector banking business, the Bank has undertaken the following initiatives, among others:

- Under the *PNB Gram Uday Scheme*, loans of up to ₹1,00,000 are provided for reclamation of soil, soil conservation measures, conditioning of land, purchase of seeds, bio-fertilizers, manure, compost and other materials for organic farming, to farmers who hold a soil health card;

- Under a scheme for financing landless agriculture labourers on unregistered leased land, loans of up to ₹1,00,000 are provided to landless labourers to undertake agricultural activity for financing unregistered leased land; and

- Under a scheme for women joint liability groups, we provide collateral free term loans or working capital facilities up to ₹10,00,000 without collateral.

We also endeavor to improve certain schemes for the priority sector which we have set up in the past. For instance, during Fiscal 2017, we enhanced the limit under our *PNB Krishi Bhu-Swani Yojana Scheme*, pursuant to which we provided loans to farmers to meet short-term agricultural needs and investment activities, from ₹10,00,000 to ₹20,00,000.

Our Principal Business Activities

Our business operations are broadly categorized into four segments: corporate/wholesale banking, retail banking, treasury and other banking operations. The table below sets forth the profit before tax attributable to the Bank's standalone reportable segments during the six month period ended September 30, 2017 and the profit before tax attributable to our consolidated reportable segments during Fiscals 2017, 2016 and 2015.

(in ₹crore)

Particulars	Six month period ended September 30, 2017	Fiscal		
		2017	2016*	2015*
Corporate/Wholesale	(2,135.23)	(5,197.04)	(11,379.62)	(896.03)
Retail	1,818.93	3,577.33	4,118.50	4606.27
Treasury	2,803.66	4,690.76	3,023.37	1722.58
Other banking operations#	165.10	305.77	233.34	147.07

** The figures from Fiscal 2016 have been regrouped and are therefore not comparable with the figures for Fiscal 2017. For details on re-grouping, see "**Management's Discussion and Analysis of Financial Condition and Results of Operations—Basis of Presentation**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of changes to classification**" on pages 86 and 132, respectively.*
 # Other banking operations comprise foreign exchange operations.

As at September 30, 2017, the Bank's advances to large industry, MSME and retail were ₹1,22,600 crore, ₹79,300 crore and ₹71,200 crore, respectively.

Corporate/ Wholesale

We provide our corporate and institutional clients a wide array of commercial banking products and transactional services.

Our principal commercial banking products include a range of financing products, documentary credits (primarily letters of credit) and bank guarantees, foreign exchange, investment banking services and corporate deposit products. Our financing products primarily include loans, overdrafts and bill discounting.

For our commercial banking products, our customers include companies that are part of public sector enterprises, private sector business houses, and multinational corporations, as well as small and mid-sized businesses. Our customers also include suppliers and distributors of corporations to whom we provide credit facilities and with whom we thereby establish relationships as part of a supply chain initiative for both our commercial banking products and transactional services. We aim to provide our corporate customers with high quality customized service.

Our principal corporate loans comprise the following:

Working Capital Financing

The Bank provides working capital to meet short term fund requirements for managing day-to-day operations of businesses. Loans are provided by way of both fund and non-fund based facilities to corporates, partnership firms and proprietary concerns. Funded facilities include cash credit, demand loan and bill discounting. Non-fund based instruments primarily comprise letters of credit and bank guarantees.

Project Finance and Infrastructure Finance

The Bank provides project finance and infrastructure finance by providing fund and non-fund based credit facilities for new projects as well as expansion, diversification and modernization of existing projects in several sectors, including the power sector, road sector, oil and gas sector and aviation sector, among others.

Rooftop PV Solar Power Projects

By 2022, India aims to achieve 40 gigawatts of grid connected rooftop solar photovoltaic power projects. (*Source: Ministry of New and Renewable Energy*) To promote the vision of the GoI, the Asian Development Bank has sanctioned a line of credit of USD 50 crore to the Bank for financing rooftop photovoltaic solar power projects and accordingly, we have formulated a customized scheme in this respect.

Loan against Future Lease Rentals

The Bank has introduced a scheme for owners of property within metros, urban, semi-urban and rural centres, and who have leased their properties to public sector undertakings, reputed schools or colleges, reputed private hospitals or nursing homes or franchisees, dealers, distributors of reputed corporates.

Other Loans

The Bank provides term loans to support capital expenditure for setting up or expansion of industrial units or businesses. It also provides advances against inland bills in the form of purchase of bills, discount of bills or advance against bills sent for collection to borrowers for trade transactions.

Other Services

We provide various services to exporters and importers, including pre-shipment finance, handling export bills, outward or inward remittance and establishment of import letters of credit covering import into India and handling of bills under letters of credit, among others.

Our principal transactional services include physical and electronic payment and collection mechanisms to a range of corporations, financial institutions and government entities. In addition, we provide correspondent banking services, including funds transfers, to foreign banks. We maintain vostro accounts of certain foreign banks and maintain our nostro accounts with certain foreign banks. We provide funds transfers and services, such as letters of credit, outward remittances, inward remittances, foreign letters of guarantee and foreign exchange transactions. We earn revenue on a fee-for-service basis and benefit from the cash floats in Vostro accounts, which reduces our overall cost of funds.

We are well positioned to offer this service to co-operative banks and foreign banks in light of our existing position within the structure of the Indian banking industry. Co-operative banks are generally restricted to a particular state and foreign banks have limited branch networks. The customers of these banks frequently need services in other parts of India which their own banks cannot provide. Because of our technology platforms, our geographical reach and the electronic connectivity of our branch network, we can provide these banks with the ability to provide such services to their customers.

We also provide certain insurance products at our branches. We provide life insurance through our Associate, PNB Metlife Insurance Company Limited and we have also recently entered into a bancassurance tie-up with a large insurance company, which would enable our customers to have access to the insurance company's products across our branches. Additionally, we are a corporate agent of a public sector company which offers a variety of insurance, including fire insurance, motor vehicle insurance, marine insurance and health insurance among others.

Retail Banking

We provide a comprehensive range of financial products including deposit products, loans, credit cards, debit cards, insurance products and other services. The Bank's retail banking loan products include housing loans, vehicle loans, education loans and personal loans, which together accounted for 73.78% of its total retail banking loans as at September 30, 2017. The Bank focuses on growing small ticket advances which it believes helps in capital conservation and risk diversification. Set forth below is bifurcation of the Bank's advances by ticket size.

(*in ₹ crores*)

Segment	March 31, 2016	March 31, 2017	Growth (%)	September 30, 2016	September 30, 2017	Growth (%)
₹ 5 crore and above	2,45,300	2,37,200	(3)	2,17,800	2,33,800	7
₹ 5 crore and below	1,36,300	1,54,500	13	1,43,000	1,57,100	10
Total	**3,79,800**	**3,91,800**	**3**	**3,60,900**	**3,90,900**	**8**

We actively market our services through our branches and alternate sales channels, as well as through our relationships with automobile dealers and corporate clients. We seek to establish a relationship with a retail customer and then expand it by offering more products. As at September 30, 2017, the Bank had 6,940 branches and 9,753 ATMs across India. The Bank also provides telephone banking, internet and mobile banking to its customers.

The Bank's gross retail loan portfolio aggregated to ₹71,173.00 crore as at September 30, 2017. As at March 31, 2015, our gross retail loans aggregated to ₹48,415.01 crore. Loans are classified as retail based on the criteria of orientation, the nature of the product, level of the exposure and quantum thereof as per our reporting system to the RBI.

Apart from our branches, we use our ATM network and the internet to promote our loan products and we employ additional sales methods depending on the type of product. We perform our own credit analyses of th e borrowers and the value of the collateral, if the loan is secured.

In addition to taking collateral in many cases, we generally obtain post-dated cheques covering all payments at the time a retail loan is made. It is a criminal offence in India to issue a bad cheque. We also sometimes obtain instructions to debit the customer's account directly for making of payments. Our unsecured personal loans, which are not supported by any collateral, are a higher credit risk for us than our secured loan portfolio. We may be unable to collect the whole or a portion of an unsecured personal loan in the event of non-payment by the borrower. Accordingly, personal loans are granted at a higher loan yield. Also see "***Risk Factors— Our unsecured loan portfolio is not supported by any collateral to ensure repayment of the loan, and any such non-payment may adversely affect our financial condition***" on page 59.

Housing Loans

We also provide housing loans, with the Bank having a market share of 4.25%, in terms of amount outstanding as a provider of home loans in India, as at September 30, 2017, among all scheduled commercial banks. *(Source: RBI data.)* We provide home loans for the construction, purchase, alteration and repair of houses. For the construction, addition or purchase of houses, the loans typically provided are need based loans, depending upon the project cost and repayment capacity. For purchase of land, the maximum quantum of loan available is ₹1.00 crores for metro cities and ₹0.50 crores for other centers. We also have a scheme *PNB Pride Housing Loan for Government Employees*, pursuant to which housing loans are provided to permanent employees of the central or state government, defence and paramilitary forces personnel for which we provide a concession of 0.05% over our standard interest rates.

Additionally, we provide housing loans for purchase or construction or addition to existing units to individuals from economically weaker section and low income group category under the *Pradhan Mantri Awas Yojana* scheme. Under this scheme, the GoI provides a credit linked subsidy at a rate of 6.5% for a loan amount of up to ₹6,00,000 over a tenure of 20 years, or during the tenure of the loan, whichever is lower. This subsidy is available only for loan amounts up to ₹6,00,000 and any additional amount will be at a non-subsidized interest rate.

Vehicle Loans

The Bank had a market share of 3.27%, in terms of amount outstanding as a provider of vehicle loans in India, as at September 30, 2017, among all scheduled commercial banks. *(Source: RBI data.)* We offer loans at floating interest rates for financing purchase of new and used vehicles. We offer a number of automobile loan products to meet the requirements of our diverse segment of customers. Certain products offered by us includ e the '*PNB Pride Car Loan for Government Employees*' and the '*PNB Power Ride - Scheme for financing two-wheelers to Women*'. In addition to our general marketing efforts for retail loans, we market this product through our relationships with car dealers and joint promotion programs with automobile manufacturers and car dealers.

Education Loans

As at September 30, 2017, the Bank had a market share of 7.47%, in terms of amount outstanding as a provider of education loans in India, among all scheduled commercial banks. *(Source: RBI data.)* We offer student loans to provide financial assistance to Indian nationals to pursue higher studies within and outside India. The maximum education loan amounts under our education loan schemes are typically ₹ 0.30 crore for educational courses in India and 0.40 crore for educational courses outside India. Other schemes include targeted products such as *PNB Pratibha*, which provide loans to students securing admissions in certain premier or reputed educational institutions of India and the *PNB Kaushal* scheme, which provides financial aid to students pursuing skill development, vocational education and training course. We also provide education loans to Indian nationals for pursuing higher education abroad.

Personal Loans

The Bank had a market share of 4.03%, in terms of amount outstanding as a provider of personal loans in India, as at September 30, 2017, among all scheduled commercial banks. *(Source: RBI data.)* We offer secured and unsecured personal loans at floating rates to all customer segments, to meet personal requirements. We also provide pension loans to all types of pensioners to meet personal requirements, including medical expenses and we also provide loans against gold or jewellery for purposes such as agricultural or other allied activities as well as for meeting medical, educational, marriage and other expenses.

Miscellaneous Loans

Additionally, we provide loan against mortgage of immovable property for business and personal requirements. We also provide retail loans to employees of state governments and certain public sector undertakings on attractive terms and conditions as per arrangements with such undertakings.

Further, we also provide deposit products to our customers, including savings, term deposits and hybrid accounts that combine features of savings and term deposit accounts. The Bank's gross deposits aggregated to ₹ 6,36,208.35 crore, ₹6,21,704.02 crore, ₹5,53,051.13 crore and ₹5,01,378.64 crore as at September 30, 2017, March 31, 2017, March 31, 2016 and March 31, 2015, respectively. As at September 30, 2017, 99.87% of the Bank's total domestic deposits were retail deposits and 0.11% were bulk deposits from corporates (at differential rate).

Treasury

Our treasury operations are our interface with the financial markets. Our treasury operations consist primarily of statutory reserves management, liquidity management, investment and trading activities, money market and foreign exchange activities. Our treasury department also provides standardised and structured client solutions including liquidity management and bond placement. The treasury department is responsible for balancing and managing our daily cash flow and liquidity of funds.

Our treasury department manages our treasury operations on a day-to-day basis and is subject to oversight by our Board. Through our treasury operations, we manage our funds, invest in debt and equity products and maintain the required regulatory reserves. We operate a proprietary trading book in debt, equity and foreign exchange within the framework of our treasury policy.

The main functions of our integrated treasury department include:

Reserve management and investment: Ensuring that we meet our CRR and SLR obligations and have an appropriate mix within our portfolio to optimize yield and duration.

Liquidity and funds management: Analysis of major cash flows arising out of asset liability transactions, providing a well developed and diversified liability base to fund various assets and providing policy inputs on funding mix.

Asset liability management: Determining the optimal size and growth rate of the balance sheet and pricing the asset liability in accordance with prescribed guidelines.

Risk management: Managing market risks associated with our liabilities and assets.

Foreign exchange treasury operations: Our treasury department also undertake foreign currency borrowings and deployment activities. It also caters to the foreign exchange needs of our corporate clients and trading in currency, among others.

The structure of our treasury department is provided below.

Front office: The front office consists of dealers and traders, who are the first point of interface with other market participants, including brokers and customers. Each of our traders and dealers report to department heads.

Mid-office: The mid-office is independent of the treasury department and is responsible for risk monitoring and measurement analysis. It provides risk assessments to our asset liability committee and is responsible for the daily tracking of risk exposures. The mid-office reports directly to our senior management.

Back-office: The back office undertakes accounting, settlement and reconciliation operations.

Audit group: The audit group inspects the daily operations of the treasury department to ensure adherence to internal and regulatory systems and procedures.

The Bank's interest income from investments and treasury operations was ₹6,930.62 crore during the six month period ended September 30, 2017 and our interest income from investments and treasury operations was ₹12,577.17 crore, ₹12,033.65 crore, and ₹10,599.99 crore during Fiscals 2017, 2016 and 2015, respectively. The Bank's non-interest income from its treasury operations, consisting of profit and loss from the sale of investments and foreign exchange transactions was ₹1,503.09 crore during the six month period ended September 30, 2017 and our non-interest income from its treasury operations, consisting of profit and loss from the sale of investments and foreign exchange transactions was ₹2,654.32 crore, ₹999.28 crore, and ₹1,022.73 crore during Fiscals 2017, 2016 and 2015, respectively.

For details of the allocation of our net investment portfolio, see "***Selected Statistical Information***" beginning on page 135.

Rural Business

The Bank continues to focus on rural banking as a key driver of future growth. It has been involved in extending banking facilities to rural areas in India even before such requirements became mandatory for banks. It is also an active participant in the GoI's and the RBI's financial inclusion programs.

The Bank has expanded its network in rural and semi-urban areas in India by setting up a large number of branches. From April 1, 2015 to September 30, 2017, the Bank has set up 434 branches, out of which 258 were in rural and semi-urban areas.

Rural banking requires an innovative approach in respect of delivery of services in remote areas to a population with low literacy rates, and involves a large volume of small-value transactions. In order to cater to rural customers' needs, the Bank has developed alternative delivery channels for banking services and products through the business correspondent model. As at September 30, 2017, the Bank had engaged over 8,284 customer service points with third party business correspondents in rural areas.

Pursuant to the PMJDY scheme launched by the GoI on August 15, 2014, to ensure access to basic finance services to the weaker sections and low income groups, the Bank had opened 1.75 crore accounts and issued 1.40 crore RuPay debit cards to eligible customers, as at September 30, 2017.

The value of transactions handled through our banking correspondents increased by 28.00% to ₹16,615.00 crore during Fiscal 2017 from ₹12,947.00 crore during Fiscal 2016, and ₹2,085.00 crore during Fiscal 2015.

The Bank's continued focus on the development of innovative, technology enabled channels for delivering banking services to the rural population in India has resulted in the launch of a number of new initiatives such as Aadhaar enabled Payment Systems, automated e-KYC, Micro ATM rollout and savings bank-overdraft facility under PMJDY.

Agri-Business

We believe that we continue to play an important role to support farmers and other persons engaged in the agriculture industry in India.

As at September 30, 2017, the Bank had established 35 specialized agriculture finance branches or cells across India. These branches offer various products such as crop financing, farm equipment financing and agricultural value chain financing, and serve customers involved in a wide range of agricultural activities such as crop production, horticulture, plantation crops, floriculture, farm mechanization, digging of wells, tube wells and irrigation projects, as well as activities linked to agriculture such as cold storage, trading and food processing. The Bank has also developed IT-driven products for PNB RuPay Kisan Cards ("**KC**") to allow continuous interaction with customers in the agricultural and allied industries. Initiatives aimed at strengthening ties with the farming community include attending farmers' meetings and events, as well as a village adoption program, to support integrated development of the village.

The Bank has taken various steps to contain NPA levels, and lending by individual branches under certain loan programs may be linked to NPA levels. In addition, the Bank increasingly uses recovery agents for debt collection, generally by enforcing the underlying collateral securing the loans. NPAs are also controlled through programs designed specifically for farmers and to improve loan initiation and monitoring, such as increased training for the Bank's representatives, use of regular audio and video conferencing, in-person visits and recruitment of specialists such as marketing, agriculture officers and recovery officers, organization of special recovery and counselling camps in all agri-business intensive branches, wide publicity of additional incentives from the Government on a timely basis. The Lok Adalat is a forum organized under Chapter VI of the Legal Services Authorities Act, 1987, as amended ("**LSA Act, 1987**") where the disputes pending in a court of law or at pre- litigation stage are settled amicably. Under the LSA Act, 1987, the award made by the Lok Adalat is deemed to be the decree of a civil court and is final and binding on all parties with no right of appeal.

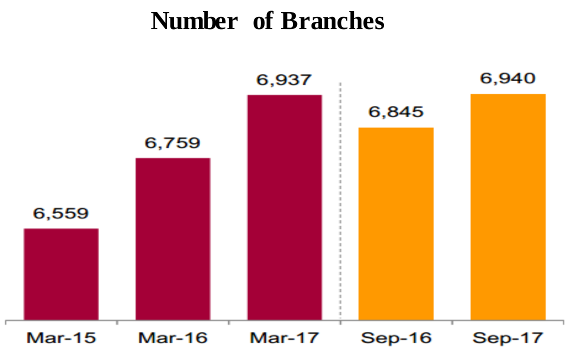
Distribution Channels

Branches

As at September 30, 2017, the Bank had an aggregate of 6,940 branches across India.

All of the Bank's branches are electronically linked so that its customers can access their accounts from any branch regardless of the location of their account in India.

Almost all of the Bank's branches focus exclusively on providing retail services and products, though a few also provide wholesale banking services. The range of products and services available at each branch depends in part on the size and location of the branch.

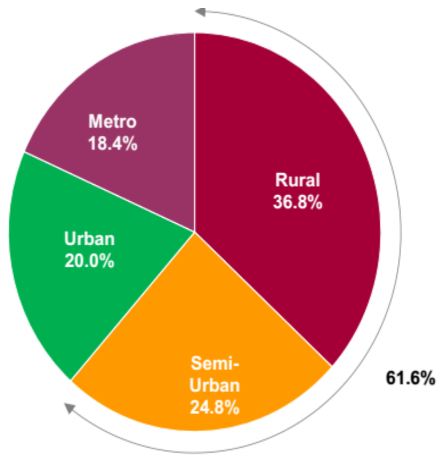


The Bank offers various banking services to its customers through arrangements with correspondent banks and exchange houses in overseas locations.

As part of its branch licensing conditions, the RBI requires that at least 25% of the total number of branches opened during the year must be located in unbanked rural centers.

A rural area is defined as a center with a population of less than 10,000 (based on the 2001 census conducted by the GoI) and a rural unbanked center is a center which does not have a core-banking solution enabled "banking outlet" of a scheduled commercial bank, small finance bank, a payment bank or a regional rural bank nor a branch of local area bank or licensed co-operative bank for carrying out customer based banking transactions. Further, the RBI also prescribes that the total number of branches opened in a Tier 1 center, during a fiscal cannot exceed the total number of branches in Tier 2 to Tier 6 centers and all centers in north-eastern states in India.

Distribution of branches

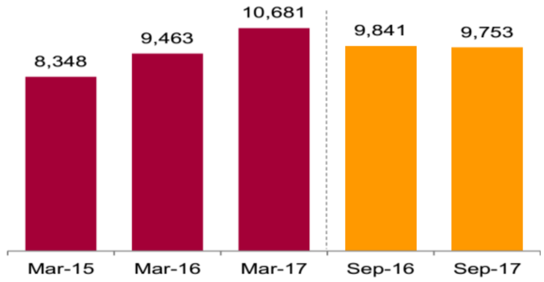


As at September 30, 2017, 415 of the Bank's branches operated in unbanked rural centers. Additionally, as at September 30, 2017, of the Bank's total branches, 36.80% were located in rural areas, 24.80% were located at semi-urban areas and 20.00% were located at urban areas.

We offer various banking services to our customers through our arrangements with correspondent banks and exchange houses in overseas locations. We have representative offices in four countries outside India, i.e., in the United Arab Emirates, Australia, Bangladesh and China. Through these representative offices, we provide services to Indian corporates and their affiliates to cater to their international banking requirements, as well as to retail customers.

ATMs

As at September 30, 2017, the Bank had a total of 9,753 ATMs, including ATMs located at large residential and commercial developments, or on major roads in metropolitan areas. Customers can use our ATMs for a variety of functions, including withdrawing cash, monitoring bank balances, depositing cash or cheques and paying utility bills. Customers can access their accounts from any of the PNB ATMs or non-PNB ATMs. ATM cards issued by other banks in the Cirrus network can be used at our ATMs and we receive a fee for each transaction.



Number of ATMs

Our debit cards can be used on ATMs of other banks' ATM networks.

Telephone Banking

We provide telephone banking services to our customers. Customers can access their accounts over the phone through our 24-hour automated voice response system and can order cheque books, conduct balance inquiries and order stop payments on cheques. In select cities, customers can also engage in financial transactions such as cash transfers, opening deposits and ordering demand drafts.

Our mobile banking platform, "PNB mBanking", offers "anytime, anywhere" banking services to our customers through handheld devices, such as smartphones and basic feature phones. Using our mobile banking platform, customers can perform enquiry based non-financial transactions such as balance enquiries, requests for account statements and requests for mini-statements of their transactions etc. Customers can carry out financial transactions, such as transferring funds within and outside the Bank and mobile commerce using their PNB account by downloading this application on their mobile phones. Mobile banking is available across several mobile operating systems, including Android, iOS and Windows.

Internet Banking

Through our net banking channel, customers can perform various transactions, such as access account information, track transactions, order cheque books, request stop cheque payments, transfer funds between accounts and to third parties who maintain accounts with us, open fixed deposits, give instructions for the purchase and sale of units in mutual funds, pay bills and make demand draft requests. We encourage customer use of our internet banking service by offering some key services for free or at a lower cost.

Risk Management

Managing risk is fundamental to the financial services industry, and key to sustained profitability and stability. While risks are assumed after appropriate consideration, some risks may arise due to unintended consequences of internal actions or external events. We are exposed to various risks that are an inherent part of any banking business, which include, amongst others, credit risk, market risk, liquidity risk and operational risk.

Our risk philosophy is to ensure a sustainable and diversified growth of business with net returns that are healthy and commensurate with the risk taken. We have various policies and procedures in place to measure, manage and monitor these risks systematically across all its portfolios, and adopt the following approaches in dealing with risk:

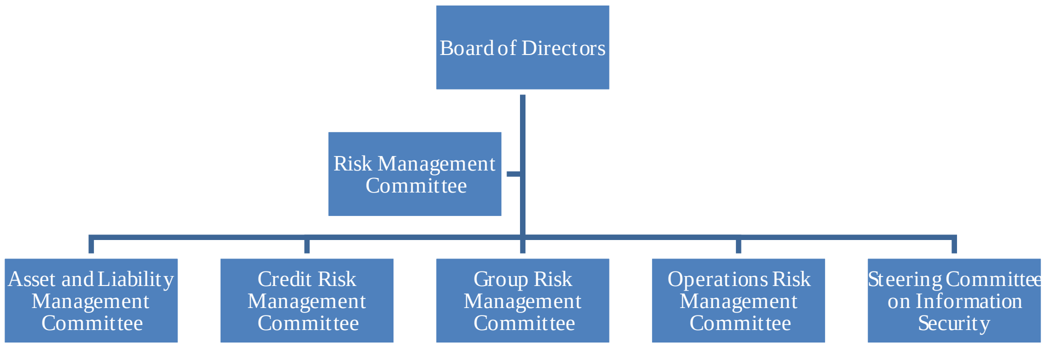
- supporting growth by the efficient deployment of funds within an acceptable risk-return framework;
- avoiding the concentration of risk in any individual, group borrowers, industry, country or geographic area;
- taking leadership in products and segments well understood by us, with pre-determined risk standards of moderate to low risk;
- being watchful of products and segments that have substantial future potential at moderate to low risk, until such time that we are able to approach such products and segments with the appropriate level of risk standards;
- remaining innovative by taking a limited exposure in emerging areas that may be perceived to have high risk;
- having an independent and dynamic risk management set up, with clearly laid procedures and well established links between various business units to manage risk; and
- building our business by attracting quality assets, careful monitoring of borrower financial health, while ensuring a healthy conservation of capital.

Risk Management Framework

Our risk management framework is supervised by the Risk Management Committee, which is supported by the following functional committees:

- Group Risk Management Committee;
- Credit Risk Management Committee;
- Asset and Liability Management Committee;
- Operations Risk Management Committee; and
- Steering Committee on Information Security.

The risk management organizational structure of the Bank is provided below.



Group Risk Management

Group level risk management refers to an overall evaluation of the risks of a group to which the Bank belongs. Accordingly, the purpose of the group risk management is to manage the risks of the Bank as part of the group and to assess the potential impact of other group entities on the overall risk profile of the parent Bank. While group entities are generally a source of strength by enabling a diversification of revenue and income streams, if not properly managed, they instead prove to be a source of weakness affecting the financial condition, reputation and health of the Bank.

The objectives of group risk management are, amongst other things, to:

- ensure a unified group-wide risk management framework that enables the Group to calculate risk adjusted return on capital;
- ensure that the individual risk of a group entity does not have any contagion effect on the Bank;
- create an environment where all group employees assume responsibility for managing risk and identifying potential risks in their respective areas of control;
- maintain the highest integrity in services provided; and
- to safeguard group assets: financial and reputational.

Accordingly, the group risk management policy focuses on understanding the material risks faced by each Group entity and the potential impact thereof, and subsequently devising methods of mitigating those risks effectively. The policy entails formulating a risk governance structure, fixing the risk appetite of the Group, employing best practices and fixing internal exposure limits.

Risk Appetite Principles

We abide by the following risk appetite principles:

(a) *Capital*: As a group, we have no risk appetite for regulatory non-compliance and will protect ourselves from any capital-related regulatory breaches at all times. As such, our risk appetite is linked to both the Internal Capital Adequacy Assessment Process and other stress testing framework. We have also decided to adopt caution in undertaking credit risk, and as such have a lower risk appetite than previous years.

(b) *Liquidity*: As a group, we have no risk appetite for failing to deliver on payment obligations. As such, we make sure to hold a sufficient buffer at group levels to survive a liquidity crisis.

(c) *Leverage*: As a group, we have no risk appetite for building excessive leverage, or causing any breach in leverage ratio regulatory requirements.

Group Risk Management Committee

The Group Risk Management Committee is responsible for management of group risk in the Bank. To ensure that individual risk of different group entities does not have a contagion effect, it is essential to monitor group risk on an ongoing basis. The structure and scope of the committee is defined in our Group Risk Management Philosophy and Policy, which is reviewed at least annually, or more frequently, if the need arises. The Group Risk Management Committee consists of our Managing Director and Chief Executive Officer, all the Executive Directors, the Group Chief Risk Officer, and certain other general managers.

Credit Risk Management

Credit risk is the possibility of loss associated with changes in the credit quality of the borrowers or counterparties, often stemming from an outright default due to an inability or unwillingness to honor commitments in relation to lending, settlement or other financial transactions. These borrowers or counterparties may include an individual, a small or medium enterprise, corporation, bank, financial institution, or even a sovereign.

Credit risk management aims at building up sound asset quality and the long-term profitability of the institution. This would entail reducing exposure in high risk areas, emphasizing industries that show promise and/or productive sectors or segments of the economy, and optimizing return by striking a fine balance between the risk and return on assets while striving towards improving our market share. Accordingly, credit risk management, for us, involves activities such as risk identification, risk measurement, risk mitigation and risk-based pricing. For this purpose, the Bank has a policy on credit risk management, credit risk mitigation and collateral management. We identify and manage this risk through (a) our target defined markets, (b) our decision on risk acceptance, (c) our quantitative exposure ceilings; and (d) our remedial management procedures.

Credit Risk Policy and Strategy

In order to provide robust risk management, our credit risk management policy deals with various areas of credit risk, sets goals to be achieved, evaluates current practices and formulates future strategies. With the aim of improving our ability to absorb shocks arising from financial or economic stress, we have successfully implemented the Basel III guidelines, which remain part of our credit risk strategy.

Under the guidelines by the Reserve Bank of India for the maintaining capital requirements for credit risk, there are three approaches: the standardized approach, the foundation internal rating based approach and the advanced internal rating based approach. We have been awarded approval by the RBI to apply the foundation internal rating based approach.

Model Risk Policy

One of the requirements to adopt the foundation internal rating based approach is that a bank should have a "sound model risk policy with detailed documentation of the model and related system development, validation and control process". Model risk represents the risk that a financial institution may experience adverse consequences based on a decision reached by using a model. This may arise due to fundamental model errors, or due to incorrect application of a model, e.g. poor assumptions, input, calibration, implementation, etc. Consequently, we have developed our Model Risk Policy, which was approved by our Board of Directors on March 28, 2014. As model risk increases with greater model complexity, higher uncertainties arise in the validity of inputs and assumptions. Accordingly, our model risk policy aims to identify the sources of risk and assess the magnitude of loss caused by error by, amongst other things, establishing limits on model use, monitoring model performance, adjusting or revising models over time, and supplementing model results with other analysis and information.

Retail Credit Risk Policy

We offer a range of retail products, such as vehicle loans, personal loans, business banking, two-wheeler loans and loans against securities, among others. Our retail approval processes are designed for the fact that we have high volumes of relatively homogeneous, small value transactions in retail loans. There are product programs for each of these products, which define the target markets, credit philosophy and process, detailed underwriting criteria for evaluating individual credits, exception reporting systems and individual loan exposure caps.

For individual customers to be eligible for a loan, minimum credit parameters, so defined, are to be met for each product. Any deviations to such parameters need to be approved at the designated levels. The product parameters have been selected based on the perceived risk characteristics specific to the product. The quantitative parameters considered include income, residence stability, the nature of the employment/business, while the qualitative parameters include accessibility and profile. Our credit policies/product programs are based on a statistical analysis of our own experience and industry data, in combination with the judgment of our officers.

We mine information on our borrower account behavior as well as static information regularly to monitor the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality.

Our retail loans are generally secured by a charge on the asset financed (vehicle loans, property loans and loans against gold). Retail business banking loans are secured with current assets as well as immovable property and fixed assets in some cases. However, collateral securing each individual loan may not be adequate in relation to the value of the loan. If the customer fails to pay, we would, as applicable, liquidate collateral and/or set off accounts. In most cases we obtain direct debit instructions or post-dated checks from the customer. It is a criminal offence in India to issue a bad check.

Wholesale Credit Risk Policy

We have a credit risk department, which is primarily responsible for implementing the credit risk strategy approved by our Board, developing procedures and systems for managing credit risk and carrying out an independent assessment of credit risk. In addition to the credit approval process, there is also an independent framework for the review and approval of credit ratings.

For our wholesale banking products, we target leading private businesses and public sector enterprises in the country, subsidiaries of multinational corporations and leaders in the Small and Medium Enterprises (SME) segment.

We consider the credit risk of counter-parties comprehensively, and thus, our credit policies and procedures apply to not only credit exposures but also credit substitutes and contingent exposures.

Our credit risks policies are central in controlling credit risk in various activities and products.

Based on what we believe is an adequately comprehensive risk assessment, credit exposure limits are set on individual counterparties. These limits take into account the overall potential exposure on the counterparty, be it on balance sheet or off balance sheet, across the banking book and the trading book, including foreign exchange and derivatives exposures. These are reviewed in detail at annual or more frequent intervals.

Based on rich data collected over a number of years, we have developed an internal rating system which assesses and grades borrowers, producing helpful metrics such as, among other things, a borrower's probability of default, or the estimated loss, given a default.

Our credit approval process is based on an approval system that combines credit approval authorities and discretionary powers. The level for approval of a credit varies depending upon the amount of the loan, nature of credit, conditions of the transaction, the grading of the borrower, the quantum of facilities required and whether it is a repeat customer. Accordingly, each credit approval committee is vested with the power to grant credit up to designated thresholds. The loan appraising authority recommends prospective loans to the relevant credit approval committee. Thereafter, credit exposure on each loan is monitored on an ongoing basis.

To ensure adequate diversification of risk, concentration limits have been set up in terms of:

(a) *Borrower/business group*: Exposure to a borrower/business group is subject to the general ceilings established by the Reserve Bank of India from time to time, or specific approval by Reserve Bank of India. The exposure-ceiling limit for a single borrower is 15% of a bank’s capital funds. This limit may be exceeded by an additional 5% (i.e. up to 20%) provided the additional credit exposure is on account of lending to infrastructure projects. The exposure-ceiling limit in the case of a borrower group is 40% of the bank’s capital funds. This limit may be exceeded by an additional 10% (i.e. up to 50%) provided the additional credit exposure is on account of extensions of credit for infrastructure projects. In addition to the above exposure limit, a bank may, in exceptional circumstances, with the approval of its board, consider increasing its exposure to a borrower up to an additional 5% of its capital funds. Further, we may, while keeping in line with regulatory limits, specify lower limits for certain borrowers, depending on the specific borrower's credit risk rating.

(b) *Industry*: We have developed a model for determining industry-based exposure-ceiling limits based on certain factors such as asset impairment benchmarks, portfolio quality and industry risk ratings provided by external rating agencies. Retail advances are exempt from such ceiling. In addition, investment exposure to any one industry does not exceed 15% of our total non-SLR portfolio.

While we primarily make our credit decisions on a cash flow basis, we also obtain security for a significant portion of credit facilities extended by us as a second potential remedy. This can take the form of a floating charge on the movable assets of the borrower or a (first or residual) charge on the fixed assets and properties owned by the borrower. We may also require guarantees and letters of support from the flagship companies of the group in cases where facilities are granted based on our comfort level or relationship with the parent company.

We have a process for regular monitoring of all accounts at several levels. These include periodic calls on the customer, visits, credit reviews and monitoring of secondary information. These measures are designed to detect any early warning signals of deterioration in credit quality so that we can take timely corrective action. In addition, we have developed an in-house platform called the preventive monitoring system, which we use for monitoring large value accounts. The preventive monitoring system allows us to track account conduct, compliance with our terms and conditions, and various other metrics that assist us in decision making.

Credit Risk Management Committee

The Credit Risk Management Committee is entrusted with the work of taking all policy decisions related to credit risk. It is a top executive level committee headed by our managing director and chief executive officer. The Credit Risk Management Committee is responsible for the implementation of credit risk policy and strategy, which is approved by the Risk Management Committee or our Board of Directors. The structure and scope of the committee is defined in our Credit Management and Risk Policy, which is reviewed at least annually, or more frequently, if the need arises.

Asset Liability Risk Management

In an increasingly deregulated market, banks face various risks, including liquidity risk and market risk. Liquidity risk is the potential inability of a bank to meet its liabilities as they become due. Market risk is the risk to a bank's earnings and capital due to changes the market. Market risk can be further categorized into interest rate risk, foreign exchange risk and equity/commodity price risk. Accordingly, our asset liability management framework aims to identify, measure, monitor and manage these risks, and operates in the following manner:

Board of Directors

The Board has the overall responsibility for management of liquidity and interest rate risk. The Board decides the strategy, policies and procedures of the Bank to manage liquidity and interest rate risk, including setting the risk tolerance/limits and reviewing the results of stress tests. It is also responsible for evaluating the overall risks faced by the Bank, including liquidity risk and interest rate risk. It also addresses the potential interaction of liquidity risk and interest rate risk with other risks faced by the Bank.

Asset Liability Management Committee

The Asset Liability Management Committee is the decision-making unit responsible for ensuring adherence to the risk tolerance/limits set by the Board of Directors, as well as implementing the Bank's liquidity and interest rate risk management strategy in line with the Bank's risk management objectives and risk tolerance. The Asset Liability Management Committee is also responsible for balance sheet planning from a risk-return perspective, including strategic management of interest rate and liquidity risks. The role of the asset liability management committee includes the following:

- product pricing for deposits and advances;
- deciding the desired maturity profile and mix of incremental assets and liabilities;
- articulating the Bank's interest rate view and deciding on its future business strategy;
- reviewing and articulating funding strategy;
- ensuring adherence to the limits set by the Board of Directors;
- determining the structure, responsibilities and controls for managing liquidity and interest rate risk;
- ensuring operational independence of risk management function;
- reviewing stress test results; and
- deciding on the transfer pricing policy of the Bank.

The structure and scope of the committee is defined in our Asset Liability Management Policy, which is reviewed at least annually, or more frequently, if the need arises.

The Asset Liabilities Management Committee is supported by certain internal operational groups, which includes the Asset Liabilities Management Committee Secretariat, the Mid Office, which is responsible for independent market risk monitoring, measurement and analysis, and the Technical Advisory Group, which assists the Asset Liabilities Management Committee in analyzing interest rate movement.

Risk Measurement Systems and Reporting

Liquidity risk is measured using the flow approach and the stock approach. The flow approach involves comprehensive tracking of cash flow mismatches whereas the stock approach involves the measurement of critical ratios in respect of liquidity risk. Analysis of liquidity risk also involves examining how funding requirements are likely to be affected under crisis scenarios.

In each approach, we adopt more precise metrics for monitoring liquidity risk than the standards set by the Reserve Bank of India. For example, in the flow approach, we have prescribed further Board-approved cumulative gap limits other than the four cumulative gap limits of -5%, -10%, -15% and -20% set by the Reserve Bank of India. The same enhanced levels precision track is applied to the stock approach, in which we prescribe 18 ratios (which includes the Basel-III mandated ratios, such as the liquidity coverage ratio and the net stable funding ratio), rather than just the seven set by the Reserve Bank of India. Thes e additional metrics allow us to perform monitor liquidity risk at a more granular level. The impact on NII and intrinsic value of the Bank is evaluated through traditional gap analysis and duration gap analysis, respectively.

Operational Risk Management

Operational risk is risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk and it seeks to identify the cause of a loss. Legal risk includes, but is not limited to, exposure to fines, penalties, punitive damages resulting from supervisory actions, as well as private settlements. Operational risk has four principal causes: people, process, systems and external factors. The way operational risk is managed has the potential to positively or negatively impact the Bank's customers, financial performance and reputation.

Our operational risk management policy establishes a risk framework that guides us in the management of operational risk and allocation of capital for potential losses. This requires that all our functional areas, departments and business units identify, assess, measure, mitigate, monitor, control and report on their significant operational risks in a consistent manner. Our operational risk management policy is supplemented by operational systems, procedures and guidelines, which we periodically updated.

The objectives of our operational risk management policy is to minimize operational risk, strengthen internal controls and adopt best practices which seek to achieve the following:

- identify operational loss events and analyze the corresponding causal factors;
- build robust databases of operational loss;
- estimate losses and allocate capital efficiently for operational results;
- set prudent limits;
- control or otherwise mitigate factors leading to expected losses;
- prepare against unexpected losses;
- make audit system independent of operations;
- minimize and eventually eliminate losses and customer dissatisfaction due to operational failures; and
- identify flaws in the design of products, processes and activities that may expose us to loss.

Operational Controls and Risk Management Methodology

We formulate our operational risk management policy based on internal data collected on operational loss events that we encounter, as well thorough internal surveys called risk and control self assessments ("**RCSA**"). To date, we have over 13 years of data which has been carefully collected and mapped against the seven operational risk event types defined by the Basel Committee on Banking Supervision. This data is automatically collected, and is judiciously and continuously analyzed in order for us to identify operational risks in existing and new products, processes, activities and systems. In addition, operational 'heat maps' are created based on RCSA survey results, and action thereafter taken against the risks identified.

Based on our data, we develop “key risk indicators” which act as early warning signals for monitoring of operational risk. Thresholds for key risk indicators are set by the respective divisions; if a key risk indicator breaches the thresholds, the matter is escalated to the next level of management for objective monitoring and the initiation of corrective measures.

In situations where we do not have sufficient loss data to rely on to formulate a risk management policy, we periodically engage in a process which we call, "scenario analysis", in which we perform a forecast of operational losses, and of the events that cause them, based on knowledge input from business experts. Through scenario analysis, we are able to assess the impact of rare and potentially large events without having actually experienced such events, stress test our readiness, and accordingly formulate our plan for risk management.

Reserve Bank of India Approvals relating to Operational Risk Management

Under the guidelines by the Reserve Bank of India for the maintaining capital requirements for operational risk, there are three approaches: the basic indicator approach, the standardized approach, and the advanced measurement approach. Although we have presently opted to maintain our capital applying the basic indicator approach, our continuous efforts in improving on operational risk management over the years has resulted in us being granted approval by the Reserve Bank of India to apply both the standardized approach and the advanced measurement approach in parallel run.

Operational Risk Management Committee

The Operational Risk Management Committee is headed by our managing director and chief executive officer and is entrusted with the work of implementing policies and strategies for operational risk management and monitoring the compliance of various such policies. The structure and scope of the committee is reviewed at least annually, or more frequently, if the need arises.

Information Security Risk Management

Steering Committee on Information Security

The Steering Committee on Information Security is entrusted with, amongst other things, the development and facilitation of the implementation of information security policies, approving and monitoring major information security projects and establishing information security priorities. It is a top executive level committee headed by our managing director and chief executive officer.

Recovery of NPAs

We have devised a strategic policy for the recovery of NPAs by identifying such risky assets at an early stage with the daily recognition of NPAs. The various measures recommended for recovery include one-time settlements, out-of-court settlements, filing of suits before the Debt Recovery Tribunals and courts, actions under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 and Lok Adalats, which is a system for out-of-court settlements of impaired loans through mutual consent in accordance with the Legal Services Act 1987.

Additionally, NPA accounts of ₹ 1.00 crore and above are reviewed periodically by our senior management and appropriate measures are taken for their early recovery or upgrading. Non-performing loans which are not capable of upgrading or recovery are also considered for write-off on a case by case basis, although recovery efforts continue to be undertaken on accounts that have been written off.

We have assembled special teams to monitoring our high value NPAs and technically written-off accounts with a specific focus on the resolution of such NPAs and to recover the sums in the technically written-off accounts accounts. We also have a team for the slippage prevention and recovery of NPA portfolios through the collection and recovery or resolution agents. The above measures are coupled with our resolution strategies to prevent the migration of assets to a lower asset class. We believe that the healthy level of recoveries from NPAs and in unrealized interest were primarily due to the collateral that has been provided to secure the impaired loans, which encourages borrowers to repay loans and interest rather than forfeit their property.

Subsidiaries, Joint Venture and Associates

The Bank has five Subsidiaries, including two international subsidiaries, one Joint Venture and ten Associates, including five RRBs. The Bank currently provides financial services through its non-banking Subsidiaries and Associates, including housing finance, merchant banking, assets and fund management and insurance. In the

Bank's financial statements, investment in subsidiaries and joint ventures (both in India and outside India) are valued at historical cost and a provision is made for diminutions, other than temporary.

Our Subsidiaries collectively accounted for ₹12,980.36 crores, ₹45,402.46 crores and ₹32,677.58 crores in total assets as at March 31, 2017, March 31, 2016, and March 31, 2015, respectively. During Fiscal 2017, Fiscal 2016 and Fiscal 2015, our Subsidiaries, Joint Venture and Associates collectively contributed ₹998.30 crores, ₹3,479.10 crores and ₹2,678.34 crores, respectively, of our total consolidated income and ₹ (137.56) crores, ₹284.62 crores and ₹338.01 crores, respectively, of our total consolidated profit after tax, during the same period.

The following table sets forth information relating to the Bank's Subsidiaries, Joint Venture and Associates as at September 30, 2017.

Subsidiary/ Joint Venture/ Associates	Business	Bank's Ownership Percentage (in %)	Net Income (during Fiscal 2017) *(in ₹ crore)*
Subsidiaries			
PNB Gilts Limited	Primary dealer in government securities	74.07%	167.17
PNB Investment Services Limited	Merchant banking services	100.00	3.98
Punjab National Bank (International) Limited#	Banking services	100.00	(612.47)
DRUK PNB Bank Limited #	Banking services	51.00	17.62
PNB Insurance Broking Private Limited*	NA	81%	0.02
Associates**			
PNB Housing Finance Limited	Housing finance company	39.08	523.73
JSC Tengri Bank, Almaty, Kazakhstan #	Banking services	49.00	3.98
Principal PNB Assets Management Company Private Limited	Asset management company	21.38	(3.83)
PNB MetLife Insurance Company Limited	Life insurance company	30.00	63.87
Principal Trustee Company Private Limited	Asset management company	30.00	0.04
Joint Venture			
Everest Bank Limited #	Banking services	20.00	116.86

* *Steps for winding up have been initiated for PNB Insurance Broking Private Limited.*
** *Excluding RRBs. For details of RRBs, see "- Regional Rural Banks"*
 # These entities are incorporated outside India.

Regional Rural Banks

Regional Rural Banks ("**RRBs**") were established under the Regional Rural Banks Act, 1976. They are sponsored jointly by the GoI, a sponsor bank and state governments. RRBs provide credit primarily to small farmers, artisans, small entrepreneurs and agricultural labourers. They have predominant presence in rural and semi-urban areas. Sponsor banks are responsible for managing the RRBs. The GoI has undertaken consolidation of RRBs in two phases to optimize their efficiency. The Bank was, as at September 30, 2017 sponsoring five RRBs, which were operating in Bihar, Haryana, Himachal Pradesh, Punjab and Uttar Pradesh and covered 75 districts with a network of 2,386 branches. Given below are details of the RRBs sponsored by the Bank along with the proportion of its ownership, as at September 30, 2017.

Name of RRB	Proportion of Ownership
Madhya Bihar Gramin Bank, Patna	35%
Sarva Haryana Gramin Bank, Rohtak	35%
Himachal Gramin Bank, Mandi	35%
Sarva UP Gramin Bank, Meerut	35%
Punjab Gramin Bank, Kapurthala	35%

Competition

The Indian banking industry is highly competitive, and we face competition in all our principal areas of business. Private sector banks, foreign banks and other public sector banks are our main competitors, followed closely by finance companies, insurance companies, asset and wealth management companies, development financial institutions, mutual funds and investment banks.

We may also face increased competition from foreign banks if the Indian retail market is further liberalized or if regulations and restrictions upon branch network growth by foreign banks are simplified or reduced, foreign banks may operate in India by establishing wholly owned subsidiaries which are allowed to raise Rupee resources through issue of non-equity capital instruments. Further, under the foreign exchange regulations, an aggregate foreign investment of up to 49.00% under the automatic route, and 74.00% under the government approval route, in Indian private sector banks is allowed, subject to government approval. For public sector banks, subject to the Banking Companies (Acquisition and Transfer of Undertakings) Act, foreign direct investment of up to 20% under the government approval route is permitted.

An increase in operations of existing competitors or entry of additional banks offering a similar or a wider range of products and services could increase competition. In addition, the moderation of growth in the Indian banking sector is expected to lead to greater competition for business opportunities. The GoI is also actively encouraging banks and other financial institutions to significantly increase their lending to the agricultural sector, which will make this segment more competitive. We seek to gain a competitive advantage by its innovative products and services, maximising the functions of its extensive branch network, in particular in rural and semi-urban areas, investing in technology and building on relationships with the our key customers.

Corporate Banking

Corporate banking faces competition from foreign banks, private banks and other public sector banks in such areas as pricing, Rupee loans, foreign currency loans, foreign exchange transactions, trade finance services and cash management services. The lower risk rating of corporate clients, as well as the higher income generating capacity due to the volume and diversity of their business, attracts foreign and private banks to this sector. Foreign banks also have the advantage of their home country connections, with much larger and cost effective resource raising abilities. In addition, traditional corporate banking faces competition from the disintermediation of financial products. Customers increasingly have multiple financing sources available to them beyond those generally provided by traditional banks, which in turn is putting pressure on margins. We believe that we have been able to manage this competition through our policy of financing corporate customers with high ratings, as well as through efficient and focused delivery of products and services in areas such as foreign currency loans, foreign exchange transactions, trade finance services and cash management services. We also provide access to salary accounts for employees of our corporate customers, and cross-sell our products and services.

Retail Banking

In the retail banking sector, we faces competition primarily from foreign and Indian commercial banks and housing finance companies. Foreign banks typically focus on limited customer segments, such as high net worth individuals and affluent locations due to limitations of their smaller branch networks relative to Indian commercial banks. Indian commercial banks generally have wider distribution networks than foreign banks, but relatively weaker technology and marketing capability. We seek to compete in this sector by offering a wide product portfolio through our extensive branch network and by leveraging our client relationships in diverse market and geographic segments.

We also seek to leverage its extensive and diverse corporate relationships to gain individual customer accounts through payroll management products. Furthermore, we intend to continue to pursue a multi-channel distribution strategy using physical branches, ATMs, call centers and the internet to reach customers.

International Banking

Our international strategy is focused on India-linked opportunities, and we also intends to expand its banking operations to serve non-resident Indians as well as local clients in these jurisdictions. In our international operations, we face competition from other Indian banks with international operations, as well as foreign banks with products and services targeted at non-resident Indians and Indian businesses and other service providers.

Insurance

Our standard insurance policies cover for losses of or damage to property including premises, furniture, fixtures, computer hardware, ATMs and vehicles. Cash-in-transit, cash, securities and precious metals and other valuables are covered against theft, forgery, burglary, house breaking and robbery, and natural calamities. We also have an electronic equipment insurance policy, all risk policy, standard fire and special perils policy and terrorism insurance. Our insurance policies include a banker's indemnity insurance policy, which is a comprehensive insurance policy that offers coverage for various forms of risk such as packaged policy covering cash and valuables, money in transit, forgery and alteration, dishonesty of staff, hypothecated goods, registered post parcel and appraisers. We believe that we carry insurance coverage commensurate with our level of operations and risk perception, including for business interruption.

Employees

The Bank had an aggregate of 70,885 employees as at September 30, 2017. As at March 31, 2015, we had an aggregate of 63,375 employees. Most of our employees are located in India. We continue to focus on a collaborative culture and consultative process at various levels of administration within the Bank to ensure amicable relations with our employees.

The information technology infrastructure introduced in our branches and network and other IT initiatives have resulted in decreased employee responsibilities and enabled the Bank to effectively limit and minimize additional recruitment activities over the last several years despite the significant growth in its business, network and operations.

The following table sets forth the average business per employee and average business per branch of the Bank during the six month period ended September 30, 2017 and the average business per employee and average business per branch on a consolidated basis during Fiscal 2017, Fiscal 2016 and Fiscal 2015:

Particulars	During the six month period ended September 30, 2017	Fiscal		
		2017	2016	2015
Net profit per employee (in ₹ Lac)	2.55	1.92	(6.02)	4.83
Net profit per branch (in ₹ Lac)	26.03	19.08	(58.75)	46.64

Our compensation structure has fixed as per the Indian Banks' Association guidelines. In addition to basic compensation, employees are eligible to participate in our provident fund and other employee benefit plans. In addition, the Bank contributes specified amounts to a gratuity fund set up pursuant to Indian statutory requirements and amount is contributed in the fund as per actuary valuations.

We focus on training our employees on a continuous basis. We have a three tier training set up comprising one apex level training centre in Delhi, which caters to the training needs of our top, senior and middle management officers across India. We also have three regional staff colleges located at Mumbai, Lucknow and Chandigarh and eight zonal training centres spread across India. These training centers look after the training needs of our middle and junior management officers as well as our clerical and subordinate staff. We have also set up a training center in Faridabad to train employees in information technology.

Training is an area of continuing focus for the Bank to ensure that its employees are equipped to provide quality customer service and are also aware of the latest developments in their respective fields. Management and executive trainees of the Bank also undergo up to 36 week training modules covering various aspect of banking. We have also set up "PNB Univ", an e-learning platform which is accessible to all employees and which has more than 20 online courses on more than 140 topics.

Properties

The Bank's corporate office, located in New Delhi is owned by the Bank. The Bank's network consisted of 6,940 branches and 9,753 ATMs (including cash deposit machines and self-service kiosks) as at September 30, 2017, in India. In addition, we have administrative offices in most of the metros and some other major cities in India.

Of the properties used by the Bank, certain properties are held by the Bank on a freehold basis and certain properties are held on a leasehold basis. The Bank's premises and other fixed assets are accounted for on a historical cost basis in accordance with Indian GAAP.

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Board of Directors

The Bank has been constituted as a body corporate under the Banking Companies Act. In terms of the provisions of the Banking Companies Act, the general superintendence and direction of the affairs and business of the Bank is entrusted to the Board constituted as per the provisions of the Banking Companies Act, the Nationalised Banks Scheme and the Punjab National Bank Regulations.

In accordance with sub-section 3 of Section 9 of the Banking Companies Act, the board of directors of every corresponding new bank is required to include (i) not more than four whole time directors to be appointed by the Government after consultation with the RBI; (ii) one director who is an official of the Government and nominated by the Government and such director shall not be on the board of any other corresponding new bank; (iii) one director possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks, nominated by the Government upon recommendation by the RBI; (iv) one director from the employees of the bank who is a workman (as defined under Clause (s) of Section 2 of the Industrial Disputes Act, 1947) nominated by the Government in accordance with the Nationalised Banks Scheme; (v) one director from the employees of the bank who is not a workman (as defined under Clause (s) of Section 2 of the Industrial Disputes Act, 1947) nominated by the Government after consultation with the RBI; (vi) one director who has been a chartered accountant for not less than 15 years, nominated by the Government after consultation with the RBI, subject to not more than 6 directors nominated by the Government on the board of a bank. Further, as per sub-section 3(i) of Section 9 of the Banking Companies Act, shareholders of a corresponding new bank (other than the Government) are required to elect (i) one director, in the event the shareholders (other than the Government) hold not more than 16% of the total paid-up capital of the bank; (ii) two directors, in the event the shareholders (other than the Government) hold more than 16% but not more than 32% of the total paid-up capital of the bank; and (iii) three directors, in the event the shareholders (other than the Government) hold more than 32% of the total paid-up capital of the bank. Further, subject to the provisions of Section 9(3)(i) of the Banking Companies Act, the Government can nominate up to 6 directors under Section 9(3)(h) of the Banking Companies Act.

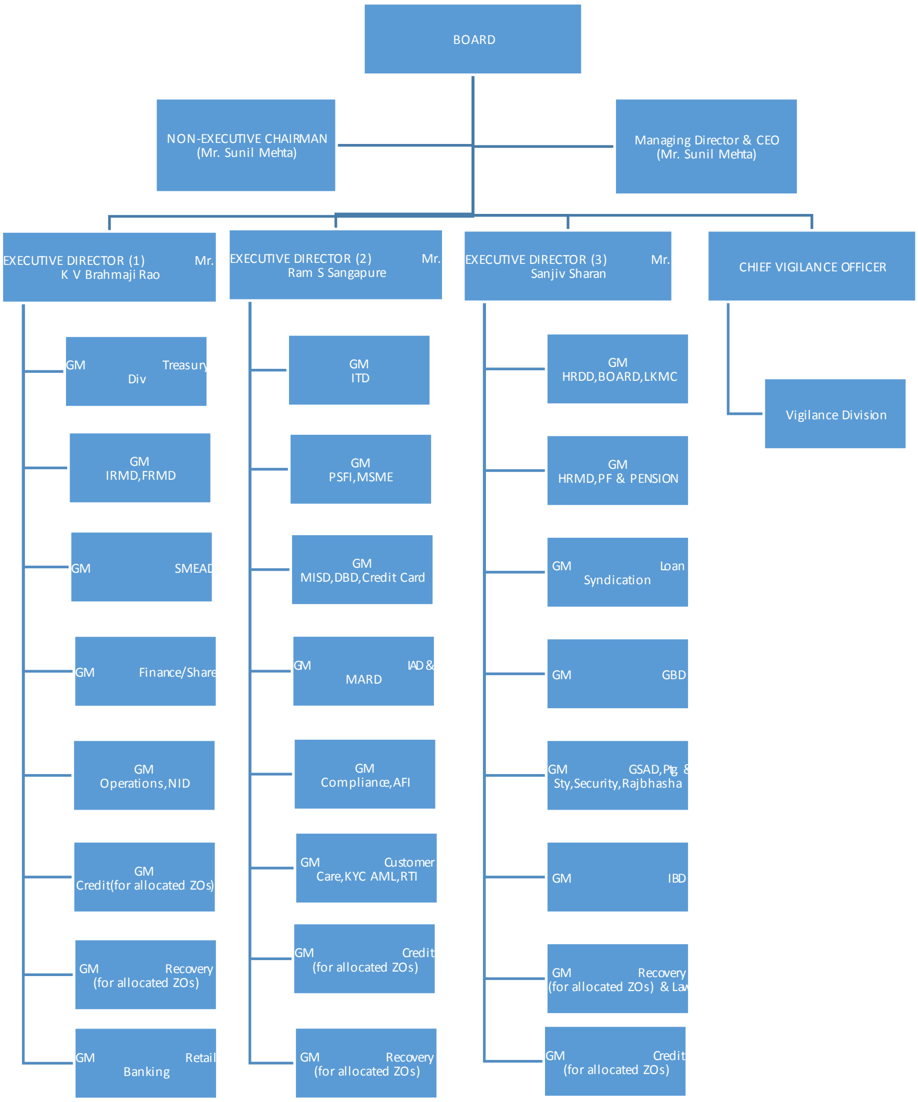
The Board is headed by the non- executive Chairman and part time non-official Director. As on the date of this Preliminary Placement Document, other than four full-time Executive Directors, there are seven non-executive directors. Our Bank has four Executive Directors appointed in accordance with Section 9(3)(a) of the Banking Companies Act. In addition to the Executive Directors, the Board includes members elected by the shareholders (other than the Government) and nominees of the Government and the RBI. All Directors are appointed/nominated pursuant to the Banking Companies Act, the Nationalized Banks Scheme and the Punjab National Bank Regulations.

The non-executive directors who are on the Board of the Bank as on the date of this Preliminary Placement Document are:

- One director appointed as the Chairman of the Board by the Government in consultation with the RBI under Section 9(3)(h) of the Banking Companies Act read with the Clauses 3(1) and 5 of the Nationalized Banks Scheme;
- One director (who is an official of the Government) nominated under Section 9(3)(b) of the Banking Companies Act representing the Government;
- One director (who is an officer of the RBI) nominated under Section 9(3)(c) of the Banking Companies Act by the Government on the recommendation of the RBI;
- One director (who is a chartered accountant) nominated under Section 9(3)(g) of the Banking Companies Act by the Government in consultation with the RBI; and
- Three directors (elected by shareholders other than the Government) in accordance with Section 9(3)(i) of the Banking Companies Act.

The current Board composition is not in compliance with the provisions of the Banking Companies Act as it does not include representatives from the workmen and employees of the Bank as stipulated under Sections 9(3)(e) and (f) of the Banking Companies Act. These posts have been vacant from March 8, 2016 and June 26, 2016 onwards, respectively. In addition, our Bank is not in compliance with Regulation 17 (1)(b) of the SEBI Listing Regulations with respect to the composition of the Board as the Board does not have the required number of independent directors. For further details please see "***Risk Factors***" beginning on page 43.

Management Organisation Structure



Board

The Board meets regularly in accordance with the requirements of the Nationalized Banks Scheme, with a minimum of six meetings per year and one in each quarter. The Board held 17 meetings during the Fiscal Year 2017.

The composition of the Board as on the date of this Preliminary Placement Document is set out below:

Sr. No.	Name	Designation	Term*	DIN
1.	Mr. Sunil Mehta	non- executive Chairman and part time non-official Director appointed under Section 9(3)(h) of the Banking Companies Act	Appointed for a term of three years effective from February 16, 2017.	00065343
2.	Mr. Sunil Mehta	Managing Director and Chief Executive Officer appointed under Section 9(3)(a) of the Banking Companies Act	Appointed for a term up to September 30, 2019, i.e. the date of his superannuation or until	07430460

Sr. No.	Name	Designation	Term*	DIN
			further orders, whichever is earlier, with effect from May 5, 2017.	
3.	Mr. K. Veera Brahmaji Rao	Executive Director appointed under Section 9(3)(a) of the Banking Companies Act	Appointed for a term of five years effective from January 22, 2014.	06861202
4.	Dr. Ram S. Sangapure	Executive Director appointed under Section 9(3)(a) of the Banking Companies Act	Appointed for a term up to February 28, 2018, i.e. the date of his superannuation or until further orders, whichever is earlier, with effect from March 13, 2014.	03297417
5.	Mr. Sanjiv Sharan	Executive Director appointed under Section 9(3)(a) of the Banking Companies Act	Appointed for a term up to May 31, 2019, i.e. the date of his superannuation or until further orders, whichever is earlier, with effect from September 15, 2016.	07340257
6.	Mr. Ravi Mital	Government nominee appointed under Section 9(3)(b) of the Banking Companies Act	Nominated with effect from July 4, 2017 and until further orders from the Government.	06507252
7.	Dr. Rabi N. Mishra	RBI nominee director appointed under Section 9(3)(c) of the Banking Companies Act	Nominated with effect from April 26, 2016 and until further orders from the Government.	-
8.	Mr. Mahesh Baboo Gupta	Part-time non-official Director appointed under Section 9(3)(g) of the Banking Companies Act	Nominated for a term of three years up to July 25, 2019 or until further orders, whichever is earlier, with effect from July 26, 2016.	00014313
9.	Professor Sanjay Verma	Shareholder director appointed under Section 9(3)(i) of the Banking Companies Act	Appointed for a term of three years up to June 15, 2020 with effect from June 16, 2017.	-
10.	Mr. Sudhir Nayar	Shareholder director appointed under Section 9(3)(i) of the Banking Companies Act	Appointed for a term of three years up to December 18, 2018 with effect from December 19, 2015.	00200415
11.	Ms. Hiroo Mirchandani	Shareholder director appointed under Section 9(3)(i) of the Banking Companies Act	Appointed for a term of three years up to May 1, 2018 with effect from May 2, 2015.	06992518

***Pursuant to Clause 4 of the Nationalised Banks Scheme directors appointed under Section 9(3)(h) and 9(3)(b) of the Banking Companies Act are required to retire by rotation, when the elected directors assume charge, in such manner that the directors who have been longest in office since the last nomination, shall retire first and in relation to directors who became directors on the same day, it shall be decided by the Government or in accordance with any agreement amongst themselves. Further, a director appointed under Section 9(3)(h) of the Banking Companies Act cannot hold office for a term exceeding three years.*

Brief Profiles

Mr. Sunil Mehta, aged 60, joined our Board as non- executive Chairman and part time non-official Director with effect from March 16, 2017. Prior to joining our Bank, he has served on the board of the State Bank of India.

Mr. Sunil Mehta, aged 58, joined our Board as Managing Director and Chief Executive Officer with effect from May 5, 2017. Prior to joining our Bank, he was the Executive Director of Corporation Bank. He has experience of serving in nationalized banks at various levels.

Mr. K. Veera Brahmaji Rao, aged 58, joined our Board as Executive Director with effect from January 22, 2014. Prior to joining our Bank, he was the General Manager of Vijaya Bank. He has experience of serving in nationalized banks at various levels.

Dr. Ram S. Sangapure, aged 59, joined our Board as Executive Director with effect from March 13, 2014. Prior to joining our Bank, he was the General Manager of Central Bank of India. He has experience of serving in nationalized banks at various levels.

Mr. Sanjiv Sharan, aged 58, joined our Board as Executive Director with effect from September 15, 2016. Prior to his elevation as Executive Director, he was the General Manager of our Bank. He has experience of serving at various levels in our Bank.

Mr. Ravi Mital, aged 56, joined our Board as the Government nominee director with effect from July 4, 2017. He is currently serving as Additional Secretary, Department of Financial Services, the MoF, Government of India.

Dr. Rabi N. Mishra, aged 57, joined our Board as a RBI nominee director with effect from April 26, 2016. He is currently serving as the Chief General Manager, Principal, Reserve Bank Staff College, Chennai.

Mr. Mahesh Baboo Gupta, aged 58, joined our Board as the Government nominee director under the chartered accountant category on August 5, 2016.

Professor Sanjay Verma, aged 49, joined our Board as a shareholder director with effect from June 15, 2017. He is currently serving at the Indian Institute of Management, Ahmedabad. He has previously worked with Modern Suitings Limited, Institute of Management Studies, Bikaner and Xavier Institute of Management, Bhubaneshwar.

Mr. Sudhir Nayar, aged 66, joined our Board as a shareholder director with effect from December 19, 2015. He was associated with Hindustan Unilever Limited in the past.

Ms. Hiroo Mirchandani, aged 56, joined our Board as a shareholder director with effect from May 2, 2015.

Key Managerial Personnel

In addition to our Managing Director and Chief Executive Officer and the Executive Directors, our Key Managerial Personnel, as on the date of filing this Preliminary Placement Document include persons set forth below.

Mr. Pramod Kumar Sharma, aged 57 years, is the Chief Financial Officer of our Bank. He joined our Bank as a management trainee on November 14, 1983 and was appointed as the Chief Financial Officer on December 1, 2016. He has 34 years of experience serving at various levels in our Bank.

Mr. Balbir Singh, aged 48 years, is the Company Secretary of our Bank. He joined our Bank on March 4, 1991 and was appointed as the Company Secretary of our Bank on December 1, 2016.

Committees

In accordance with the provisions of the Banking Companies Act, the Nationalized Banks Scheme, the Punjab National Bank Regulations, the SEBI Listing Regulations, the Banking Regulation Act and requirements of the RBI and the MoF, set forth below are the committees of the Board:

1. Management Committee;
2. Audit Committee;
3. Risk Management Committee;
4. Share Transfer Committee;
5. Stakeholders Relationship Committee;
6. Customer Service Committee;
7. Information Technology Strategy Committee;

8. Power of Attorney Committee;
9. Director's Promotion Committee;
10. Appellate Authority and Reviewing Authority;
11. Special Committee of the Board to monitor and follow up fraud cases involving ₹ 1.00 crore and above;
12. Committee of Directors to Review Vigilance and Non Vigilance Cases;
13. Remuneration Committee;
14. Nomination Committee;
15. Steering Committee for Vision 2020;
16. Head Office Credit Approval Committee- Level III;
17. Election of Shareholder Directors- Voting by Public Sector Banks;
18. Committee of the Board to Monitor the Progress in Recovery;
19. Committee for Review of Identification of Wilful Defaulter;
20. Non-cooperative Borrowers Classification Review Committee;
21. Steering Committee of the Board on Human Resources; and
22. Committee to monitor progress of Digital Transactions.

The Bank is not in compliance with Regulation 18(1)(b) of the SEBI Listing Regulations, with respect to the composition of Audit Committee, as it does not have the required numbers of independent directors. The Bank has complied with the provisions of the Banking Regulation Act and the Banking Companies Act, except as disclosed in this Preliminary Placement Document. The constitution of certain key committees and their main functions are given below:

Management Committee

The Management Committee of the Board is constituted in pursuance of Clause 13 of Nationalized Banks Scheme read with the directives of the MoF, Government of India.

The members of the Management Committee as on the date of this Preliminary Placement Document are:

1. Mr. Sunil Mehta - Chairman of the Committee;
2. Mr. K. Veera Brahmaji Rao;
3. Dr. Ram S. Sangapure;
4. Mr. Sanjiv Sharan;
5. Dr. Rabi N. Mishra; and
6. Professor Sanjay Verma.

Audit Committee (the "Audit Committee")

The Audit Committee has been constituted by the Bank in terms of RBI circular bearing No. DOS.NO.BC.14/Admn./919/16.13.100/95 dated September 26, 1995 and RBI circular bearing No. DOS No. BC/3/08.91.020/97 dated January 20, 1997.

The members of the Audit Committee as on the date of this Preliminary Placement Document are:

1. Mr. Sudhir Nayar (Chairman);
2. Mr. K. Veera Brahmaji Rao;
3. Mr. Ravi Mital;
4. Dr. Rabi N. Mishra; and
5. Mr. Mahesh Baboo Gupta.

In addition to the abovementioned members, Dr. Ram S. Sangapure and Mr. Sanjiv Sharan are invitees to the proceedings of the Audit Committee.

Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee ("**SRC**") was constituted in accordance with Regulation 20 of the SEBI Listing Regulations.

The members of the SRC as on the date of this Preliminary Placement Document are:

1. Mr. Sudhir Nayar (Chairman);
2. Mr. K. Veera Brahmaji Rao; and
3. Dr. Ram S. Sangapure.

Risk Management Committee

The Risk Management Committee has been constituted in accordance with the RBI note DBOD No. BP-520/21.04.103/2002-03 dated October 12, 2002 on risk management and Regulation 21 of the SEBI Listing Regulations.

The members of the Risk Management Committee as on the date of this Preliminary Placement Document are:

1. Mr. Sunil Mehta, Chairman;
2. Mr. Sunil Mehta;
3. Mr. K. Veera Brahmaji Rao;
4. Dr. Ram S. Sangapure;
5. Mr. Sanjiv Sharan;
6. Mr. Mahesh Baboo Gupta; and
7. Ms. Hiroo Mirchandani.

Remuneration Committee

The Remuneration Committee has been constituted in terms of circular bearing number GOI No. 16/65/2011-BO.I dated February 21, 2012.

The members of the Remuneration Committee as on the date of this Preliminary Placement Document are:

1. Mr. Sunil Mehta, Chairman;
2. Mr. Ravi Mital;
3. Dr. Rabi N. Mishra; and
4. Ms. Hiroo Mirchandani.

Nomination Committee

The Nomination Committee was constituted in terms of RBI letter bearing number No. 46&47/29.39.01/2007-08 dated November 1, 2007.

The members of the Nomination Committee as on the date of this Preliminary Placement Document are:

1. Mr. Sunil Mehta, Chairman;
2. Mr. Ravi Mital;
3. Mr. Mahesh Baboo Gupta; and
4. Mr. Sudhir Nayar.

The Head Office Credit Approval Committee (Level-III)

The Head Office Credit Approval Committee Level III ("**Head Office Credit Approval Committee**") has been constituted in terms of Department of Financial Services, the MoF notification dated December 5, 2011. It considers credit proposals above ₹ 150.00 crore and up to ₹ 400.00 crore on a standalone basis and above ₹ 300.00 crore and up to ₹ 800.00 crore on a consolidated basis. The Head Office Credit Approval Committee also considers OTS/loan compromise/write off proposals.

The members of the Head Office Credit Approval Committee as on the date of this Preliminary Placement Document are:

1. Mr. Sunil Mehta, Chairman;
2. Mr. K. Veera Brahmaji Rao;
3. Dr. Ram S. Sangapure; and
4. Mr. Sanjiv Sharan.

In addition, the General Managers of the following functional divisions are also members of the Head Office Credit Approval Committee:

1. Finance Division;
2. Credit Division;
3. Integrated Risk Management Division; and
4. International Banking Division.

Employees' Stock Option Plan

As on the date of this Preliminary Placement Document, our Bank does not have any employee stock option scheme.

Relationship between Directors

None of the Directors are related to each other.

Remuneration of Directors

The Executive Directors are paid remuneration as per the guidelines of the MoF dated December 19, 2016 and the terms and conditions of their employment is governed by the 'Terms and Conditions of Appointment of Whole Time Directors of Public Sector Banks' guidelines issued by the MoF. The Directors of the Board are entitled to for travelling and boarding expenses for attending the Board meetings and committee meetings subject to the MoF directives dated September 1, 1986, August 25, 1999 and June 25, 2001. The MoF has issued a letter dated July 20, 2015 in relation to entitlement of sitting fees to be paid to Directors nominated under clauses (e),(f),(g),(h) and (i) of section 9 (3) of the Banking Companies Act. In terms of the letter, such directors are entitled for a sitting fee of ₹ 20,000.00 per meeting for attending Board meetings and ₹ 10,000.00 per meeting for attending committee meetings.

Other than any statutory benefits available under applicable laws, the Directors are not entitled to any benefits upon termination of their office.

Shareholdings of Directors of the Board

Except as set forth below, our Directors don't hold any Equity Shares, as on December 1, 2017:

Sr. No.	Name	Designation	Number of Equity Shares
1.	Mr. K. Veera Brahmaji Rao	Executive Director	200
2.	Ms. Hiroo Mirchandani	Shareholder director	200
3.	Mr. Sudhir Nayar	Shareholder director	200
4.	Professor Sanjay Verma	Shareholder director	100

Loans to Directors and KMPs

Except as set forth below, our Bank has not extended loans to any of our Directors and KMPs, which are outstanding as on the date of this Preliminary Placement Document.

(₹ in crore)

Sr. No.	Name	Designation	Nature of loan	Amount
1	Dr. Ram S. Sangapure	Executive Director	Housing Loan	1.41
2	Mr. Sanjiv Sharan	Executive Director	Housing Loan	0.01
3	Mr. Pramod Kumar Sharma	Chief Financial Officer	Housing and staff loan	0.09
4	Mr. Balbir Singh	Company Secretary	Housing and staff loan	0.40

Confirmations

Neither the Bank, nor any of the Directors have been identified as wilful defaulters by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI.

Neither the Bank nor any of the Directors have been restrained, prohibited or debarred from dealing in securities or from accessing capital markets under any order or direction passed by the SEBI.

PRINCIPAL SHAREHOLDERS

Shareholding Pattern

The shareholding pattern of our Bank as at September 30, 2017 is detailed in the table below:

Category of shareholder	No. of shareholders	No. of fully paid up Equity Shares held	No. of Equity Shares underlying depository receipts	Total no. Equity Shares held	Shareholding as a % of total no. of Equity Shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	Number of locked in Equity Shares		Number of Equity Shares held in dematerialized form
						No.(a)	As a % of total Equity Shares held(b)	
(A) Promoter & Promoter Group	1	1,383,459,223	-	1,383,459,223	65.01	317,618,628	22.96	1,383,459,223
(B) Public	368,561	744,509,035	-	744,509,035	34.99	-	-	737,654,760
(C1) Shares underlying DRs	-	-	-	-	-	-	-	-
(C2) Shares held by Employee Trust	-	-	-	-	-	-	-	-
(C) Non Promoter-Non Public **(C1+C2)**	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	**368,562**	**2,127,968,258**	**-**	**2,127,968,258**	**100.00**	**317,618,628**	**14.93**	**2,121,113,983**

Statement showing shareholding of persons belonging to the "promoter and promoter group" category as at September 30, 2017 is set out below:

Category of shareholder	No. of shareholders	No. of fully paid up Equity Shares held	No. of Equity Shares underlying depository receipts	Total no. Equity Shares held	Shareholding as a % of total no. of Equity Shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	Number of locked in Equity Shares		Number of Equity Shares held in dematerialized form
						No.(a)	As a % of total Equity Shares held(b)	
A1) Indian								
Central Government/ State Government	1	1,383,459,223	-	1,383,459,223	65.01	317,618,628	22.96	1,383,459,223
President of India	1	1,383,459,223	-	1,383,459,223	65.01	317,618,628	22.96	1,383,459,223
Sub-total A1	1	1,383,459,223	-	1,383,459,223	65.01	317,618,628	22.96	1,383,459,223
A2) Foreign	-	-	-	-	-	-	-	-
Total A=A1+A2	**1**	**1,383,459,223**	**-**	**1,383,459,223**	**65.01**	**317,618,628**	**22.96**	**1,383,459,223**

Statement showing shareholding of persons belonging to the "public" category and holding more than 1% of the total shareholding as at September 30, 2017 is set out below:

Category and name of the shareholders	No. of shareholders	No. of fully paid up Equity Shares held	No. of Equity Shares underlying depository receipts	Total no. of Equity Shares held	Shareholding % calculated as per SCRR, 1957 as a % of (A+B+C2)	No of voting rights	Total as a % of total voting right	Number of locked in Equity Shares		Number of Equity Shares held in dematerialized form
								No.(a)	As a % of total Equity Shares held(b)	
B1) Institutions										
Mutual Funds/	73	139,085,031	-	139,085,031	6.54	139,085,031	6.54	-	-	139,085,031
HDFC Trustee Company Limited	1	94,993,885	-	94,993,885	4.46	94,993,885	4.46	-	-	94,993,885
Venture Capital Funds	-	-	-	-	-	-	-	-	-	-
Alternate Investment Funds	-	-	-	-	-	-	-	-	-	-
Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-	-
Foreign Portfolio Investors	144	212,707,025	-	212,707,025	10.00	212,707,025	10.00	-	-	212,707,025
Lazard Emerging Markets Portfolio	1	56,972,947	-	56,972,947	2.68	56,972,947	2.68	-	-	56,972,947
Financial Institutions/ Banks	17	2,619,713	-	2,619,713	0.12	2,619,713	0.12	-	-	2,619,713
Insurance Companies	59	278,997,491	-	278,997,491	13.11	278,997,491	13.11	-	-	278,997,491
Life Insurance Corporation of India	1	266,505,945	-	266,505,945	12.52	266,505,945	12.52	-	-	266,505,945
Sub Total B1	**293**	**633,409,260**	**-**	**633,409,260**	**29.77**	**633,409,260**	**29.77**	**-**	**-**	**633,409,260**
B2) Central Government/ State Government(s)/ President of India	2	321,800	-	321,800	0.02	321,800	0.02	-	-	321,800
Sub Total B2	**2**	**321,800**	**-**	**321,800**	**0.02**	**321,800**	**0.02**	**-**	**-**	**321,800**
B3) Non-Institutions	-	-	-	-	-	-	-	-	-	-
Individual share capital up to ₹ 2 Lacs	359,238	92,726,310	-	92,726,310	4.36	92,726,310	4.36	-	-	86,134,035
Individual share capital in excess of ₹ 2 Lacs	5	2,116,732	-	2,116,732	0.10	2,116,732	0.10	-	-	2,116,732
NBFCs registered with RBI	-	-	-	-	-	-	-	-	-	-
Any Other (specify)	9,023	15,934,933	-	15,934,933	0.75	15,934,933	0.75	-	-	15,672,933

Category and name of the shareholders	No. of shareholders	No. of fully paid up Equity Shares held	No. of Equity Shares underlying depository receipts	Total no. of Equity Shares held	Shareholding % calculated as per SCRR, 1957 as a % of (A+B+C2)	No of voting rights	Total as a % of total voting right	Number of locked in Equity Shares		Number of Equity Shares held in dematerialized form
								No.(a)	As a % of total Equity Shares held(b)	
Sub Total B3	**368,266**	**110,777,975**	**-**	**110,777,975**	**5.21**	**110,777,975**	**5.21**	**-**	**-**	**103,923,700**
Total B=B1+B2+B3	**368,561**	**744,509,035**	**-**	**744,509,035**	**34.99**	**744,509,035**	**34.99**	**-**	**-**	**737,654,760**

Details of Equity Shares which remain unclaimed for public

Number of shareholders	Outstanding shares held in demat or unclaimed suspense account	Voting rights which are frozen	Disclosure of notes on shares which remain unclaimed for public shareholders
413	94,010	-	-

Statement showing shareholding of the non-promoter – non public shareholder as at September 30, 2017 is set out below:

Category and name of the shareholders (I)	No. of shareholder (III)	No. of fully paid up Equity Shares held (IV)	Nos. of Equity Shares underlying depository receipts (VI)	Total no. Equity Shares held (VII = IV+V+VI)	Shareholding % calculated as per SCRR, 1957 as a % of (A+B+C2)(VIII)	Number of locked in Equity Shares (XII)		Number of Equity Shares held in dematerialized form(XIV)(Not Applicable)
						No.	As a % of total Equity Shares held	
C1) Custodian/DR Holder	-	-	-	-	-	-	-	-
Custodian/DR Holder	-	-	-	-	-	-	-	-
Sub Total C1	-	-	-	-	-	-	-	-
C2) Employee Benefit Trust	-	-	-	-	-	-	-	-
C=C1+C2	-	-	-	-	-	-	-	-

REGULATIONS AND POLICIES

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to the Bank. The information detailed in this section has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

Some of the key laws and regulations governing our Bank's functioning are enumerated below:

1. Our Statutory Framework

The primary legislation governing commercial banks in India is the Banking Regulation Act. The Bank is a 'corresponding new bank' as defined under the Banking Regulation Act, and accordingly, only certain provisions of the Banking Regulation Act are applicable thereto, including in respect of inspection by the RBI, penalties and restrictions on commission and brokerage payable on sale of shares. The Bank has been constituted under the provisions of the Banking Companies Act and is governed thereby, along with the Nationalised Banks Scheme and the Punjab National Bank Regulations. Other important laws relevant to banks in India, including the Bank, include the RBI Act, the Negotiable Instruments Act, 1881, as amended, the FEMA and the Bankers' Books Evidence Act, 1891, as amended. The Bank is a scheduled commercial bank as per the provisions of the RBI Act. Additionally, the RBI periodically issues guidelines, regulations, policies, notifications, press releases and circulars, which the Bank is required to follow. The RBI supervises the Bank's compliance with the applicable laws and regulations.

2. Banking Companies Act

The Banking Companies Act confers power on the Central Government (on recommendation of the RBI) to frame a scheme for carrying out the provisions of the Banking Companies Act. The statute also confers the power on the Central Government to supersede the Board of Directors of a banking company, for reasons recorded in writing, for a period not exceeding a total of 12 months, in public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or for securing the proper management of the corresponding new bank.

3. Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 ("Nationalised Banks Scheme")

In terms of the powers conferred under the Banking Companies Act, the Central Government, in consultation with the RBI framed the Nationalised Banks Scheme which governs the management of corresponding new banks incorporated under the Banking Companies Act, defined as the nationalised banks under the Nationalised Banks Scheme. The Nationalised Banks Scheme confers power on the Central Government to constitute the board of directors and designate the chairman and managing director of the board, in consultation with the RBI from a panel of names recommended by the bureau. Further, the Central Government has the right to decide the term and remuneration of the directors of the nationalised banks. The scheme also provides for constitution of different committees of the board including, *inter alia*, the management committee of the board, credit approval committee and advisory committees.

4. Punjab National Bank (Shares and Meetings) Regulations, 2000 ("Punjab National Bank Regulations")

Our Bank is governed by Punjab National Bank Regulations which regulates matters including, *inter alia*, the transfer of shares, issuance of share certificates, voting rights and manner of voting of the shareholders of the Bank. Every shareholder registered on the register of shareholders prior to a general meeting has one vote on show of hand and in case of a poll has one vote for every share held by him. Further, the Punjab National Bank Regulations also govern the manner of elections of the Directors on the Board of the Bank. Every shareholder on the register of shareholders, except the Central Government, has the right to elect the Directors from amongst themselves.

5. RBI Regulations

Our Bank is regulated and supervised by the RBI. The RBI has issued directions/ guidelines to commercial banks in relation to functioning, covering various aspects such as loans and advances, investments, risk management, recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing and restructured assets, periodical submission of reports etc. The RBI requires us to furnish statements, information and certain details relating to our business and operations.

The Banking Regulation Act defined the forms of business in a banking company may engage. The RBI has issued various guidelines/directions/circulars governing the functioning of banks in India. These guidelines cover, not limited to, governance, deposits, loans, investments, risk management, operations, audit, compliance, housekeeping, etc.

Section 35 of the Banking Regulation Act empowers the RBI to undertake inspection of banks. Based on the report of the RBI, the Central Government has the power to pass orders prohibiting the bank from receiving fresh deposits, or direct the RBI to initiate proceedings for the winding up of the bank.

Section 35A of the Banking Regulation Act gives power to the RBI to issue directions to banking companies generally or to any banking company in particular, as the RBI may deem fit. For instance, the RBI may issue directions: (i) in public interest; (ii) in the interest of banking policy; (iii) to prevent the affairs of any banking company from being conducted in a manner detrimental to the interests of depositors or prejudicial to the interests of the banking company; or (iv) to secure the proper management of any banking company generally. The banking companies are bound to comply with such directions.

When a bank fails to or omits to comply with the provisions of the Banking Regulation Act and directions issued thereunder or wilfully makes a statement which is false in any material particular, knowing it to be false or wilfully omits to make a material statement, the RBI may impose fine within prescribed limits on banks and its officers or punish with imprisonment for the term provided in the law, on the basis of the nature of the violation.

6. Regulations Relating to the Opening of Branches

Section 23 of the Banking Regulation Act requires banks to obtain prior permission of the RBI to open new branches, in or outside India. The RBI issues instructions and guidelines to banks on branch authorization from time to time, including guidelines allowing banking companies to open new branches, banking outlets, closure, shifting of branches/ extension counters/ ATMs etc. As per the "Master Circular on Branch Authorization" dated July 1, 2015, banks are not required to obtain licenses from the RBI to open or shift its branches.

With effect from September 19, 2013, domestic scheduled commercial banks were permitted to open branches in Tier 1 to Tier 6 centres without prior permission from the RBI, subject to the conditions laid down by the RBI. Rural branches and sole semi-urban branches can also be closed subject to certain conditions. Merger, closure and shifting of any rural banking outlet as well as a sole semi urban banking outlet would require approval of the District Consultative Committee /District Level Review Committee. However, conversion of any rural or sole semi-urban banking outlet into a full-fledged brick and mortar branch and vice versa would not require such approval.

A banking outlet has been defined to mean a fixed point service delivery unit, manned by either the bank's staff or its business correspondent where services of acceptance of deposits, encashment of cheques / cash withdrawal or lending of money are provided for a minimum of four hours per day for at least five days a week.

In terms of the Revised Branch Authorisation Policy released by the RBI dated May 18, 2017, the RBI has further stipulated that the banks are required to open at least 25.00% of the total number of branches opened during a financial year in unbanked rural (Tier 5 and Tier 6) centres. Further, the RBI has permitted installation of off-site ATMs at centres identified by banks, without the need for permission from the RBI. Further, Banks are required to periodically report details of the branches opened/closed/shifted to the RBI.

7. Capital Adequacy Requirements

The RBI has issued the Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework ("**NCAF**") to ensure that the capital held by a bank is commensurate with the bank's overall risk profile. The NCAF prescribes the minimum Capital to Risk – weighted Assets Ratio ("**CRAR**") to be maintained by banks.

The Basel Committee on Banking Supervision, with a view to improve the banking sector's ability to absorb shocks arising from financial and economic stress, implemented the reform package entitled the Basel III: A global regulatory framework for more resilient bank and banking systems ("**Basel III Capital Regulations**"). The Basel III Capital Regulations in India were made applicable to banks from April 1, 2013 and are required to be fully implemented by March 31, 2019 in a phase-wise manner.

The below table summarises the capital requirements under Basel III Capital Regulations for banks in India:

Sr. No.	Regulatory Capital	As % of Risk Weighted Assets
i.	Minimum Common Equity Tier I Ratio	5.50%
ii.	Capital Conservation Buffer (comprised of Common Equity)	2.50%
iii.	Minimum Common Equity Tier I Ratio plus Capital Conservation Buffer [(i)+(ii)]	8.00%
iv.	Additional Tier I Capital	1.50%
v.	Minimum Tier I Capital Ratio [(i) +(iv)]	7.00%
vi.	Tier II Capital	2.00%
vii.	Minimum Total Capital Ratio (MTC) [(v)+(vi)]	9.00%
viii.	Minimum Total Capital Ratio plus Capital Conservation Buffer [(vii)+(ii)]	11.50%

In view of the gradual phase-in of regulatory adjustments to the common equity component of Tier 1 Capital under Basel III Capital Regulations, certain specific prescriptions of Basel II capital adequacy framework were applicable till March 31, 2017 on the remainder of regulatory adjustments not treated in terms of Basel III Capital Regulations. The phase-in arrangements for capital requirements for banks operating in India are indicated in the following table:

Minimum capital ratios (as % of risk weighted assets)	April 30, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Minimum Common Equity Tier I (CET1)	4.50%	5.00%	5.50%	5.50%	5.50%	5.50%	5.50%
Capital conservation buffer (CCB)	-	-	-	0.625%	1.25%	1.875%	2.50%
Minimum CET1+ CCB	4.50%	5.00%	5.50%	6.125%	6.75%	7.375%	8.00%
Minimum Tier I Capital	6.00%	6.50%	7.00%	7.00%	7.00%	7.00%	7.00%
Minimum Total Capital*	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Minimum Total Capital +CCB	9.00%	9.00%	9.00%	9.625%	10.25%	10.875%	11.50%
Phase-in of all deductions from CET1# (in %)	20	40	60	80	100	100	100

* *The difference between the minimum total capital requirement of 9.00% and the Tier I requirement can be met with Tier II and higher forms of capital.*

\# *The same transition approach will apply to deductions from additional Tier I and Tier II Capital.*

A bank shall comply with the capital adequacy ratio requirements at two levels:

a) the consolidated (group) level - capital adequacy ratio requirements, which measure the capital adequacy of a bank based on its capital strength and risk profile after consolidating the assets and liabilities of its subsidiaries / joint ventures / associates etc. except those engaged in insurance and any non-financial activities; and
b) the standalone level - capital adequacy ratio requirements, which measure the capital adequacy of a bank based on its standalone capital strength and risk profile.

The overseas operations of a bank through its branches will be covered in both the above scenarios.

8. Liquidity Coverage Ratio

The Basel III Capital Regulations on 'Liquidity Standard' includes 'Liquidity Coverage Ratio', 'Net Stable Funding Ratio' and liquidity risk monitoring tools. With effect from January 1, 2015, the RBI introduced a requirement for commercial banks in India to maintain certain levels of Liquidity Coverage Ratio ("**LCR**"). The LCR measures a bank's ability to manage and survive for 30 calendar days under a significant stress scenario that combines idiosyncratic as well as market-wide shock situations that would result in:

a) the run-off of a proportion of retail deposits;
b) a partial loss of unsecured wholesale funding capacity;
c) a partial loss of secured, short-term financing with certain collateral and counterparties;
d) additional contractual outflows that would arise from a downgrade in the bank's public credit rating by up to three notches, including collateral posting requirements;
e) increases in market volatilities that impact the quality of collateral or potential future exposure of derivative positions and thus require larger collateral haircuts or additional collateral, or lead to other liquidity needs;
f) unscheduled draws on committed but unused credit and liquidity facilities that the bank has provided to its clients; and
g) the potential need for the bank to buy back debt or honour non-contractual obligations in the interest of mitigating reputational risk.

The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets ("**HQLAs**") to survive an acute stress scenario lasting for 30 calendar days.

Banks are required to maintain minimum LCR of 80.00% with effect from January 1, 2017, which will increase to 90.00% with effect from January 1, 2018, and to 100.00% with effect from January 1, 2019.

The Basel Committee on Banking Supervision issued the final rules on 'Net Stable Funding Ratio' in October 2014. The RBI has issued draft guidelines on NSFR on May 28, 2015 and proposed to make NSFR applicable to banks in India from January 1, 2018.

9. Loan Loss Provisions and Non-Performing Assets

The RBI issues guidelines on income recognition, asset classification, provisioning standards and the valuation of investments, which are revised from time to time. In terms of the guidelines issued by the RBI, banks are required to classify an asset into non-performing when it ceases to generate income for the bank. Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognized and further interest is not recognized or credited to the income account unless collected in cash.

The RBI, pursuant to its "Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances" ("**Prudential Norms**") issued on July 1, 2015, has classified NPAs as (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. These guidelines specify provisioning requirements specific to the classification of the assets. Before a loan account turns into a NPA, banks are required to identify incipient stress in the account by creating three sub-categories under the special mention account (SMA) category as given in the table below:

SMA sub-categories	Basis for classification
SMA-0	Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-90 days

Banks are also required to report credit information, including classification of an account as SMA to CRILC on all borrowers having aggregate exposure of ₹ 5.00 crores and above. Additionally, banks are required to put in place a policy approved by its board of directors for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors.

The RBI revised "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" on May 30, 2013. Pursuant to these guidelines, from April 1, 2015, advances (classified as a standard asset) that are restructured (other than due to extension in date of commencement of commercial operation ("**DCCO**") of infrastructure and non-infrastructure projects) would be immediately classified as sub-standard on restructuring and the non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per the extant asset classification norms with reference to the pre-restructuring repayment schedule. The general provision required on restructured standard accounts stands increased to 5.00% from March 31, 2016.

The RBI has issued guidelines on September 1, 2016 to restrict scheduled commercial banks' investment in Security Receipts ("**SRs**") backed by their own stressed assets. With effect from April 1, 2017, where the investment by a bank in SRs backed by stressed assets sold by it, under an asset securitization, is more than 50.00% of the SRs backed by its sold assets and issued under that securitisation, provisioning requirement on SRs will be higher of the provisioning rate required in terms of net asset value declared by the securitization companies/reconstruction companies and provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books of the bank. With effect from April 1, 2018, this threshold of 50.00% will be reduced to 10.00%.

10. Corporate Debt Restructuring ("CDR") Mechanism

The CDR mechanism provides for an institutional mechanism to restructure corporate debt. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities, particularly entities that are affected by certain internal and external factors and aims to minimize the losses to creditors and other stakeholders through an orderly and co-ordinated restructuring program. It follows a three tier structure consisting of a CDR Standing Forum, CDR Empowered Group and CDR Cell.

The RBI has specified that during the pendency of the application for restructuring of the advance, the usual asset classification norms continue to apply. However, as an incentive for quick implementation of the package, if the approved package is implemented by the bank as per the specified time schedule (within 120 days from the date of approval under the CDR mechanism or within 20 days from the date of receipt of application by the bank in cases other than those restructured under the CDR mechanism), the asset classification status may be restored to the position which existed when the reference was made to the CDR cell in respect of cases covered under the CDR mechanism or when the restructuring application was received by the bank in non-CDR cases. This special regulatory treatment is not applicable to consumer and personal advances, advances classified as capital market exposures and advances classified as commercial real estate exposures. Furthermore, such regulatory forbearance shall be available only for restructuring packages that are implemented before March 31, 2015, after which the special regulatory treatment shall be withdrawn.

11. Scheme for Sustainable Structuring of Stressed Assets ("Scheme for Stressed Assets")

The RBI has formulated the Scheme for Stressed Assets dated June 13, 2016, as an optional framework for the resolution of large stressed accounts. The Scheme for Stressed Assets envisages determination of the sustainable debt level for a stressed borrower, and bifurcation of the outstanding debt based on maturity profile and the level of debt which can be serviced.

The Scheme for Stressed Assets has been issued by the RBI to ensure that adequate deep financial restructuring is done to give projects a chance of sustained revival and to facilitate the resolution of large accounts. The scheme allows banks to rework stressed loans under the oversight of an external agency. For an account to be eligible for restructuring under the scheme, the following conditions should have been met: (i) the project should have commenced commercial operations; (ii) the aggregate exposure (including accrued interest) of all institutional lenders in the account should exceed ₹ 500.00 crores (including rupee loans, foreign currency loans / external commercial borrowings); and (iii) the debt should be sustainable. A sustainable debt is one where the principal value of all debts owed to institutional lenders can be repaid over the same tenor if the future cash flows (return from the project) remain at their current level. An independent techno-economic viability study by the bank / joint lenders' forum / consortium of lenders shall be conducted to assess the debt level as sustainable. Additionally, for the scheme to apply, sustainable debt should not be less than 50.00% of the current funded liabilities.

12. Directed Lending

The Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2016 dated July 7, 2016, as revised, sets out the broad policy in relation to priority sector lending ("**PSL**"). In accordance with these directions, the priority sectors for all scheduled banks include (i) agriculture; (ii) micro, small and medium enterprises ("**MSMEs**"); (iii) export credit; (iv) education; (v) housing; (vi) social infrastructure; (vii) renewable energy and (viii) others.

Further, it also prescribes the details of eligible activities under the aforesaid categories. Under the aforementioned master direction, the priority sector lending targets are linked to adjusted net bank credit as defined ("**ANBC**") or credit equivalent amount of off-balance sheet exposure, whichever is higher, as on the corresponding date of the preceding year. Currently, the total priority sector lending target for domestic banks is 40.00% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. It also prescribed sub-targets for agriculture, micro-enterprises and advances to weaker sections.

The directions prescribe 18.00% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher for agriculture, and within the 18.00% target for agriculture, a target of 8.00% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, is prescribed for Small and Marginal Farmers. Similarly, a target of 7.50% and 10.00% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, has been prescribed for micro-enterprises and advances to weaker sections, respectively.

The RBI recently issued the Lending to Micro, Small & Medium Enterprises (MSME) Sector Directions, 2017, which clarify certain aspects of priority sector lending to the MSME sector.

13. Regulations relating to Making Loans

The provisions of the Banking Regulation Act govern the advancing of loans by banks in India. The RBI issues directions covering the lending activities of banks. Some of the major guidelines of the RBI, which are now in effect, are as follows:

- The RBI introduced the "base rate" in place of the benchmark prime lending rate ("**BPLR**") for loans and credit limits renewed after July 1, 2010. The base rate shall include all those elements of the lending rates that are common across all the categories of borrowers. For loans sanctioned up to June 30, 2010, BPLR would be applicable.

- Section 21A of the Banking Regulation Act provides that the rate of interest charged by a bank shall not be reopened by any court on the ground that the rate of interest charged by a bank is excessive.

14. Regulations relating to interest rates on deposits and advances

The RBI has issued "Reserve Bank of India - Interest Rate on Deposits Directions, 2016" dated March 3, 2016. Scheduled commercial banks are required to pay interest on deposits of money (other than current account deposits accepted by them or renewed by them in their domestic, ordinary non-resident ("**NRO**"), non-resident (external) ("**NRE**") accounts and foreign currency (non-resident) accounts (banks) scheme deposit account), subject to certain conditions prescribed by these directions. Banks are required to put in place a comprehensive policy on interest rates on deposits duly approved by the board of directors or any committee thereof. Further, certain additional restrictions have been prescribed to determine interest rates for savings deposits and term deposits. Additionally, interest rates offered by banks on NRO and NRE deposits cannot be higher than those offered by them on comparable domestic rupee term deposits.

15. Exposure Norms

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all borrowers belonging to a single group. The RBI has prescribed exposure ceiling for a single borrower as 15.00% of capital funds and group exposure limit as 40.00% of capital funds comprising of Tier I and Tier II capital. Relaxations are permitted in exceptional circumstances and lending to infrastructure sector. The total exposure to a single NBFC, NBFC-AFC (Asset Financing Companies) and Infrastructure Finance Companies ("**IFCs**") should not exceed 10.00%, 15.00% and 15.00% respectively, of the bank's capital funds as per its last audited balance sheet. The limit may be increased by another 5.00% provided that the excess exposure is on account of funds on-lent to the infrastructure sector.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40.00% of its net worth, on both standalone and consolidated basis as on March 31 of the previous year. Within this overall ceiling, the bank's direct investment in shares, convertible bonds/debentures, units of equity oriented mutual funds and all exposures to Venture Capital Funds ("**VCFs**") (both registered and unregistered) should not exceed 20.00% of its net worth on both standalone and consolidated basis.

On August 25, 2016, the RBI released guidelines on 'Enhancing Credit Supply for Large Borrowers through Market Mechanism' with the objective of mitigating the risk posed to the banking system on account of large aggregate lending to a single corporate. As per the framework, exposure of the banking system to a specified borrower beyond the prescribed limit would attract additional provisions and higher risk weights.

On December 1, 2016, the RBI released guidelines on 'Large Exposures Framework to align the exposure norms for Indian banks' with the Basel Committee on Banking Supervision standards. From April 1, 2019, exposure limits to single and group borrowers will be 20.00% and 25.00% of the Tier 1 Capital Funds as against the current norm of 15.00% and 40.00% of the Total Capital Funds limits.

16. Regulations Relating to Know Your Customer and Anti-Money Laundering

The RBI has issued guidelines on KYC, AML, and combating financing of terrorism and obligation of banks under the Prevention of Money Laundering Act, 2002 ("**PMLA**"). In a bid to prevent money laundering activities, the Government enacted the PMLA which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected herewith. Section 12 of the PMLA casts certain obligations on the banks in regard to preservation and reporting of customer account information. The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of Section 12 of the PMLA.

The RBI issued the "Master Direction - Know Your Customer (KYC) Direction, 2016" on February 25, 2016 prescribing the guidelines for KYC and anti-money laundering procedures. Banks are required to formulate a KYC policy which shall include (i) customer acceptance policy; (ii) customer identification procedures; (iii) monitoring of transactions; and (iv) risk management. In relation to each of the above, the master direction also specifies minimum procedures required to be followed by banks. Banks are not permitted to make payment of cheques/drafts/pay orders/banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument.

17. Legal Reserve Requirements

a. Cash Reserve Ratio

Each bank is required to maintain CRR on a daily basis which is a specified percentage of total of Demand and Time Liabilities ("**DTL**") adjusted for the exemptions, by way of a balance in a current account with the RBI. At present the required CRR is 4.00%. The RBI does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period and the minimum daily maintenance of the CRR should be 90.00% effective from the fortnight beginning April 16, 2016. The RBI may impose penal interest at the rate of 3.00% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5.00% above the bank rate in respect of each subsequent day during which the default continues. In case of default in the maintenance of CRR on average basis during the fortnight, penal interest will be recovered as envisaged under Section 42(3) of the RBI Act.

b. Statutory Liquidity Ratio

Each Bank is required to maintain a SLR, a specified percentage of total DTL by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to Section 24 of the Banking Regulation Act. At present, the RBI requires banks to maintain SLR of 19.50%.

18. Regulations relating to Authorised Dealers ("ADs") for foreign exchange and cross-border business transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the FEMA. The RBI master direction on External Commercial Borrowings, dated January 1, 2016, states that no financial intermediary, including banks, will be permitted to raise FCCBs or provide guarantees in favour of overseas lenders for external commercial borrowings. Further, Indian banks are not permitted to participate in re-financing of existing ECBs.

The "Master Direction on Risk Management and Interbank Dealings", dated July 5, 2016, states that all categories of overseas foreign currency borrowings of AD Category I banks, including existing external commercial borrowings and loans or overdrafts from their head office, overseas branches and correspondents outside India, international/ multilateral financial institutions or any other entity as permitted by the RBI and overdrafts in nostro accounts (not adjusted within five days), shall not exceed 100.00% of their unimpaired Tier I Capital or U.S. Dollar 10 million (or its equivalent), whichever is higher subject to certain conditions.

19. Ownership restrictions

In terms of the FDI Policy, the total foreign ownership in a public sector bank cannot exceed 20.00% of its paid-up equity share capital, subject to government approval and provisions of the Banking Companies Act. Section 3(2B) of the Banking Companies Act provides that the paid-up capital of the new corresponding banks may be increased to such amounts as the board of directors of the bank, in consultation with the RBI and previous sanction of the Central Government, raise whether by public issue or preferential allotment or private placement, of equity shares or preference shares in accordance with the prescribed procedure, so, however, that the Central Government shall, at all times, hold not less than 51.00% of the paid-up capital consisting of equity shares of each corresponding new bank. As per Section 3(2C) of the Banking Companies Act, the entire paid-up capital of a corresponding new bank, except the paid-up capital raised from public by public issue or preferential allotment or private placement, shall stand vested in, and allotted to, the Central Government. Further, not more than 20.00% of the shareholding of all corresponding new banks, including the Bank, can be held by foreign entities.

20. Downstream investment by banks

In accordance with the Consolidated FDI Policy, downstream investments made by a banking company, as defined in section 5(c) of the Banking Regulation Act, incorporated in India, which is owned or controlled by non-residents/ non-resident entity, under corporate debt restructuring, or other loan restructuring mechanism, or in trading books, or for acquisition of shares due to defaults in loans, shall not count towards indirect foreign investment.

21. Regulation of financial services provided by banks

The Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 dated May 26, 2016 require banks to comply with certain restrictions while undertaking financial services including in relation to risk mitigation measures, limits on investment that can be made by banks in companies undertaking financial services.

The directions also provide for specific regulations for certain financial services such as, *inter alia*, setting of an infrastructure debt fund, underwriting activities, mutual fund business, insurance business, pension fund management services and investment advisory services.

22. Capital and provisioning requirements for exposures to entities with unhedged foreign currency exposure

The RBI issued a circular relating to Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure on January 15, 2014. Pursuant to these guidelines, the RBI has introduced incremental provisioning and capital requirements for bank exposures to entities with unhedged foreign currency exposures.

23. Framework for revitalising distressed assets in the economy

The RBI issued the Framework for Revitalising Distressed Assets in the Economy on January 30, 2014 (the "**Framework**") which lays down the corrective action plan that will incentivise early identification of problem cases, timely restructuring of accounts which are considered to be viable, and prompt steps taken by banks for recovery or sale of unviable accounts. This framework became fully effective from April 1, 2014. In this regard, the RBI issued the Framework for Revitalising Distressed Assets in the Economy - Guidelines on Joint Lenders' Forum and Corrective Action Plan ("**CAP**") detailing guidelines on formation of the joint lenders' forum and adoption of the corrective action plan for operationalising the aforementioned framework. The RBI, by its circular dated May 5, 2017, clarified that the CAP may include resolution by way of flexible structuring of project loans, change in ownership under strategic debt restructuring or the Scheme for Stressed Assets. The RBI, further reiterated that banks must scrupulously adhere to the timelines prescribed in the Framework for finalising and implementing CAP and any non-compliance with the directions of the RBI with regards to the Framework shall attract monetary penalties on the concerned banks under the provisions of the Banking Regulation Act. Following the notification dated February 25, 2016, the prudential guidelines on revitalising stressed assets in the economy, have been partially revised in relation to, *inter alia*, strategic debt restructuring scheme, joint lenders' forum empowered group, restructuring of advances, flexible structuring of project loans and sale of financial assets to securitisation company/reconstruction company.

24. Central Repository of Large Common Exposures

The RBI has introduced Central Repository of Large Common Exposures **("CRILC")** which is a repository on large credits and which will be shared with the banks for enabling them to be aware of building leverage and common exposures. All banks are required to report to the RBI, on a quarterly basis, exposures of individuals and entities having exposure (both fund and non-fund based) of more than ₹ 5.00 crores and also details of customers with outstanding current account balance (debit or credit) of ₹ 1.00 crore and above. In addition, the RBI guidelines require banks to report, among others, the SMA 2 (Principal or interest payment overdue between 61-90 days) status of the borrower to the CRILC. Any non-submission of or wrong reporting in these returns attracts penalties as specified in the Banking Regulation Act.

25. The Banking Ombudsman Scheme, 2006

The Banking Ombudsman Scheme, 2006 as amended ("**Ombudsman Scheme**") provides the extent and scope of the authority and functions of the Banking Ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances, internet banking and other specified matters. The Banking Ombudsman receives and considers complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in clause 8 and facilitates their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an award in accordance with the Ombudsman Scheme. The RBI has also advised certain banks to appoint an internal ombudsman, designated as Chief Customer Service Officer ("**CCSO**").

26. Declaration of dividend by banks

The payment of dividends by banks is subject to restrictions under the Banking Regulation Act. Section 15(1) of the Banking Regulation Act states that no banking company shall pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and, shall out of the balance of profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 20.00% of such profit to the reserve fund before declaring any dividend.

Further, in May 2005, the RBI issued guidelines on Declaration of Dividends by Banks, which prescribed certain conditions for declaration of dividends by banks. Pursuant to the guidelines, the Bank can declare dividends only if it meets the following requirements:

- CRAR of at least 9.00% for preceding two completed years and the accounting year for which it proposes to declare dividend; and
- Net NPA less than 7.00%.

In case the Bank does not meet the above CRAR norm, but has a CRAR of at least 9.00% for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its Net NPA ratio is less than 5.00%. The proposed dividend should be payable out of the current year's profit. Other restrictions are prescribed in the guidelines.

Dividend payment by banks is also governed by Basel III Capital Regulations.

27. Classification and Reporting of Fraud Cases

The Reserve Bank of India (Frauds Classification and Reporting by Commercial Banks and Select FIs) Directions 2016 dated July 1, 2016, provides a framework for enabling banks to detect and report frauds early and taking timely consequent actions like reporting to the investigative agencies so that fraudsters are brought to book early, examining staff accountability and do effective fraud risk management. The fraud cases have been classified into misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, unauthorised credit facilities extended for reward or for illegal gratification, cash shortages, cheating and forgery, fraudulent transactions involving foreign exchange and any other type of fraud not coming under the specific heads as above. Information relating to frauds for the quarters ending June, September and December shall be placed before the audit committee of the board of directors. Banks are also required to conduct an annual review of the frauds and place a note before the board of directors for information.

Additionally, banks have to constitute a special committee of the board for monitoring and follow up of cases of frauds involving amounts of ₹ 1.00 crore and above exclusively. Such committee is required to meet and review as and when a fraud involving an amount of ₹ 1.00 crore and above comes to light. Pursuant to the RBI notification dated January 21, 2016, the RBI, has *inter alia*, increased the limits in relation to flash reporting to the RBI of fraud cases to ₹ 5.00 crores as against the earlier limit of ₹ 1.00 crore and above.

28. Marginal Cost of Funds based Lending Rate ("MCLR")

Pursuant to the notification issued by the RBI dated December 17, 2015, all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 are to be priced with reference to the MCLR which is the internal benchmark for such purposes. MCLR comprises of: (a) marginal cost of funds; (b) negative carry on account of CRR; (c) operating costs; and (d) tenor premium.

29. Ind AS

On February 16, 2015, the Ministry of Corporate Affairs ("**MCA**"), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015. On January 18, 2016 MCA outlined the roadmap for implementation of Ind-AS for banks, non-banking financial companies, select All India Term Lending and Refinancing Institutions and insurance entities. Pursuant to this, the RBI has issued guidelines on February 11, 2016 on implementation of Ind-AS. All scheduled commercial banks to follow Ind-AS for financial statements for accounting periods beginning from April 1, 2018 onwards. Ind-AS would be applicable to both standalone financial statements and consolidated financial statements.

These accounting standards could impact the financials of banks in many ways but not limited to the way the fair value is computed on financial assets and liabilities, the way financial assets and liabilities are classified and measured in resulting in volatility in profit or loss and equity, accounting of interest income, the credit loss provisioning which would be based on expected credit losses rather than percentage based provisioning etc.

30. Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("RDDBFI Act")

The RDDBFI Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹ 10.00 lakhs. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts. Further, no court or other authority, except the Supreme Court or a High Court exercising jurisdiction under Article 226 or 227 of the Constitution of India, shall have, or is entitled to exercise, any jurisdiction, powers or authority in relation to the aforementioned matter. The tribunals may pass orders for directions including, *inter- alia*, recovery of such dues by the bank as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective tribunal; attachment of the secured properties towards the dues to the bank; injunctive orders restraining the debtors from dealing with or disposing of such secured properties; appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the tribunal in the application. Unless such final orders have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDDBFI Act.

31. Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended by the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016 (the "SARFAESI Act")

The SARFAESI Act provides for the enforcement of security interest without the intervention of the courts. Under the provisions of the SARFAESI Act, a secured creditor can recover dues from its borrowers by taking any of the measures provided therein. Rights, with respect to the enforcement of security interest, under the SARFAESI Act cannot be enforced unless the account of the borrower has been classified as an NPA in the books of account of the secured creditor in accordance with the directions or guidelines issued by the RBI or any other applicable regulatory authority. The secured creditors must serve a 60-day notice on the borrower demanding repayment of the amount due and specifying the borrower's assets over which the bank proposes to exercise remedies. If the borrower still fails to pay, the secured creditors, on expiry of the 60-day notice period, can: (i) take possession of the secured assets; (ii) take over the management of the secured assets along with the right to transfer by way of lease, assignment or sale of the secured assets; (iii) appoint any person to manage the secured assets; and (iv) require any person who has acquired any of the secured assets from the borrower to pay amounts necessary to satisfy the debt. The security interests covered by the SARFAESI Act are security interests over immovable and movable property, existing or future receivables, certain intangible assets (such as know-how, patents, copyrights, trademarks, licenses, franchises) and any debt or any right to receive payment of money, or any receivable, present or future, and in which security interest has been created. Security interests over vessels and aircraft, any statutory lien, a pledge of movables, any conditional sale, rights of unpaid sellers, any property not liable to attachment, security interest for securing repayment of less than ₹ 100,000, agricultural land and any case where the amount due is less than 20.00% of the principal amount and interest are not enforceable under the SARFAESI Act. A secured creditor may also simultaneously pursue its remedies under the SARFAESI Act as well as the RDDBFI Act.

The SARFAESI Act also provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The financial assets can be sold to asset reconstruction companies in accordance with the extant guidelines and prudential norms issues by the RBI. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through or pay through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. As an incentive for the early sale of NPAs, the RBI has allowed banks to spread over any shortfall, if the sale value is lower than the NBV, over a period of two years. This facility of spreading over the shortfall would however be available for NPAs sold up to March 31, 2015 and will be subject to necessary disclosures in the Notes to Account in Annual Financial Statements of the banks.

32. The Insolvency and Bankruptcy Code, 2016

Pursuant to the Banking Regulation (Amendment) Act, 2017, the Central Government has been granted the power to authorise the RBI to issue directions to one or more banking companies to initiate insolvency resolution process in respect of a "default" under the Insolvency and Bankruptcy Code, 2016 ("**IBC**"). The RBI has also been granted powers to issue directions to banks for resolution of stressed assets.

The IBC was enacted and notified in the Gazette of India on May 28, 2016. The IBC became a single law that deals with insolvency and bankruptcy - consolidating and amending various laws relating to reorganization and insolvency resolution. The IBC covers individuals, companies, limited liability partnerships, partnership firms and other legal entities as may be notified and is aimed at creating an overarching framework to make it easier for sick companies to either wind up their businesses or engineer a turnaround, and for investors to exit. The salient features of the IBC are as follows:

- The IBC provides for a clear, coherent and speedy process for early identification of financial distress and resolution of companies and limited liability entities if the underlying business is found to be viable. Under the provisions of the IBC, insolvency resolution can be triggered at the first instance of default and the process of insolvency resolution has to be completed within stipulated time limit.
- For individuals, the IBC provides for two distinct processes, namely – "Fresh Start" and "Insolvency Resolution" and lays down the eligibility criteria for the debtor for the purposes of making an application for a fresh start process.
- The National Company Law Tribunal ("**NCLT**") and the Debt Recovery Tribunal ("**DRT**") are designated as the adjudicating authorities for corporate persons and firms and individuals, respectively, for resolution of insolvency, liquidation and bankruptcy.
- The IBC also provides for establishing the Insolvency and Bankruptcy Board of India for regulation of insolvency professionals, insolvency professional agencies and information utilities.

- Insolvency professionals will assist in the completion of insolvency resolution, liquidation and bankruptcy proceedings envisaged in the IBC. Insolvency professional agencies will develop professional standards, code of ethics and will be first level regulators for insolvency professionals leading to the development of a competitive industry for such professionals. Information utilities will collect, collate, authenticate and disseminate financial information to facilitate such proceedings.
- The IBC also proposes to establish a fund, the Insolvency and Bankruptcy Fund of India for the purposes of insolvency resolution, liquidation and bankruptcy of persons.

ISSUE PROCEDURE

Below is a summary intended to provide a general outline of the procedures for the bidding, application, and payment for, and Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and Bidders are presumed to have apprised themselves of the same from the Bank or the Book Running Lead Managers.

*The Bidders are advised to inform themselves of any restrictions or limitations that may be applicable to them and are required to consult their respective advisers in this regard. Bidders that apply in the Issue will be required to confirm and will be deemed to have represented to the Bank, the Book Running Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. The Bank and the Book Running Lead Managers and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares. See "**Selling Restrictions**" and "**Eligibility and Transfer Restrictions**" beginning on pages 235 and 241, respectively.*

Qualified Institutions Placement

The Issue is being made to QIBs in reliance upon Chapter VIII of the SEBI ICDR Regulations through the mechanism of qualified institutions placement. Under Chapter VIII of the SEBI ICDR Regulations, a listed issuer in India may issue eligible securities including equity shares / nonconvertible debt instruments along with warrants and convertible securities (other than warrants) to QIBs, provided, *inter alia*, that:

- a special resolution approving the qualified institutions placement has been passed by its shareholders. Such special resolution must specify (a) that the allotment of the Equity Shares is proposed to be made pursuant to the qualified institutions placement, and (b) the relevant date;
- equity shares of the same class of such issuer, which are proposed to be allotted through the qualified institutions placement or pursuant to conversion or exchange of eligible securities, are listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;
- such issuer complies with the minimum public shareholding requirements set out in SCRR; and
- such issuer shall have completed allotments with respect to any prior offer or invitation made by the issuer or shall have withdrawn or abandoned any prior invitation or offer made by the issuer.

At least 10.00% of the Equity Shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs. A QIB has been specifically defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations.

Bidders are not allowed to withdraw their Bids after the closure of the Issue.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The issue price of the equity shares issued pursuant to the QIP shall not be less than the average of the weekly high and low of the closing prices of the issuer's equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date. However, a discount of up to 5.00% of the floor price is permitted in accordance with the provisions of the SEBI ICDR Regulations.

The "relevant date" refers to the date of the meeting in which the board of directors or the committee of directors duly authorised by the board of the issuer decides to open the proposed issue and the "stock exchange" means any of the recognized stock exchanges in India in which the equity shares of the same class of the issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

Securities must be allotted within 12 months from the date of the shareholders' resolution approving the Issue. The securities issued pursuant to a QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI ICDR Regulations. This Preliminary Placement Document and the Placement Document is a private document provided to select Bidders through serially numbered copies and is required to be placed on the website of the concerned stock exchanges and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

The Issue was authorised and approved by our Board by way of their resolutions dated September 27, 2017 and by the shareholders of the Bank by way of their special resolutions dated December 4, 2017. The Bank has also obtained the necessary consents, approvals and authorisations required in connection with the Issue, including the approval from the Department of Financial Services, the MoF dated December 5, 2017 and RBI dated November 22, 2017.

The Bank has obtained in principle approval of the Stock Exchanges under Regulation 28(1) of the SEBI Listing Regulations for the listing of the Equity Shares on the Stock Exchanges. The Bank has filed a copy of this Preliminary Placement Document and will file a copy of the Placement Document with the Stock Exchanges.

The minimum number of allottees for each qualified institutions placement shall not be less than:

- two, where the issue size is less than or equal to ₹ 250.00 crore; and
- five, where the issue size is greater than ₹ 250.00 crore.

No single allottee shall be allotted more than 50.00% of the issue size. QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee.

In terms of Regulation 89 of the SEBI ICDR Regulations, the aggregate of the proposed qualified institutions placement and all previous qualified institutions placements made in the same fiscal year shall not exceed five times the net worth of the Bank as per its audited balance sheet of the previous Fiscal. The Bank has furnished a copy of this Preliminary Placement Document to each Stock Exchange on which its Equity Shares are listed.

Equity Shares allotted to a QIB pursuant to the Issue shall not be sold for a period of one year from the date of allotment, except on the floor of the Stock Exchanges. Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares offered hereby have not been and will not be registered under the U.S. Securities Act or any other applicable states securities laws of the United States and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Preliminary Placement Document as "U.S. QIBs") (for the avoidance of doubt, the term "U.S. QIB" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this preliminary placement document as QIBs or qualified institutional buyers) pursuant to Section 4(a)(2) under the U.S. Securities Act, and (b) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales are made. For a description of certain restrictions on transfer of the Equity Shares, see "***Eligibility and Transfer Restrictions***" beginning on page 241.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Issue Procedure

1. The Bank and the Book Running Lead Managers shall circulate serially numbered copies of this Preliminary Placement Document and the Application Form, either in electronic or physical form, to QIBs.

2. The list of QIBs to whom the Application Form is delivered shall be determined by the Book Running Lead Managers in consultation with the Bank. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person.

3. QIBs may submit an Application Form, including any revisions thereof, during the Bid / Issue Period to the Book Running Lead Managers.

4. QIBs will be required to indicate the following in the Application Form:

   (a) a representation that it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S, or (ii) an institutional investor in the United States that is a "qualified institutional buyer" as defined in Rule 144A, and it has agreed to certain other representations set forth in the Application Form;

   (b) name of the QIB to whom the Equity Shares are to be Allotted;

   (c) number of the Equity Shares Bid for;

   (d) price at which they are agreeable to subscribe to the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit an Application Form at "Cut-off Price", which shall be any price as may be determined by the Bank in consultation with the Book Running Lead Managers at or above the Floor Price. The Bank may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations; and

   (e) details of the depository accounts to which the Equity Shares should be credited.

   Note: FPIs are required to indicate the SEBI FPI registration number in the Application Form. The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

5. Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid / Issue Closing Date. The Bid / Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

6. Upon receipt of the Application Form, the Bank, after closure of the Issue, shall determine the final terms, including the Issue Price and the number of the Equity Shares to be issued pursuant to the Issue in consultation with the Book Running Lead Managers. Upon determination of the Issue Price and the QIBs to whom Allocation shall be made, the Book Running Lead Managers on behalf of the Bank will send the CANs, along with serially numbered Placement Document, to the QIBs who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of the Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-in Date as applicable to the respective QIB. **Please note that the Allocation will be at the absolute discretion of the Bank and will be based on the recommendation of the Book Running Lead Managers.**

7. Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to the Bank's designated bank account by the Pay-in Date as specified in the CAN sent to the respective QIBs.

8. Upon receipt of the application monies from the QIBs, the Bank shall Allot the Equity Shares as per the details in the CAN sent to the QIBs. The Bank will intimate to the Stock Exchanges the details of the Allotment and apply for approvals of the Equity Shares for listing on the Stock Exchanges prior to crediting the Equity Shares into the Depository Participant accounts of the QIBs.

9. After receipt of the listing approval from the Stock Exchanges, the Bank shall credit the Equity Shares into the Depository Participant accounts of the respective QIBs.

10. The Bank shall then apply for the trading permissions from the Stock Exchanges.

11. The Equity Shares that have been credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approvals from the Stock Exchanges. Upon receipt of the final listing and trading approval from the Stock Exchanges, the Bank shall inform the QIBs who have received an Allotment of the receipt of such approval. The Bank and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final listing and trading permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or the Bank.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations, and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations are eligible to invest in the Issue. Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no Allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the Promoter. Currently, the definition of a QIB includes:

1. Mutual funds, venture capital funds and foreign venture capital investors registered with SEBI;

2. AIFs registered with SEBI;

3. Eligible FPIs;

4. Public financial institutions as defined in Section 2 (72) of the Companies Act, 2013;

5. Scheduled commercial banks;

6. Multilateral and bilateral development financial institutions;

7. State industrial development corporations;

8. Insurance companies registered with IRDA;

9. Provident funds with minimum corpus of ₹ 250.00 crore;

10. Pension funds with minimum corpus of ₹ 250.00 crore;

11. National Investment Fund set up by Government of India, set up by resolution no. F. No. 2/3/2005-DDII, dated November 23, 2005;

12. Insurance funds set up and managed by army, navy or air force of the Union of India; and

13. Insurance funds set up and managed by the Department of Posts, India.

QIBs which are 'persons resident outside India' (as defined in FEMA) are only permitted to participate in the Issue if they are Eligible FPIs and are applying through the 'portfolio investment scheme' under Schedule 2 of FEMA 17, subject to compliance with all applicable laws and such that (i) the shareholding of the Foreign Portfolio Investors does not exceed specified limits as prescribed under applicable laws in this regard and (ii) the aggregate shareholding of all non-resident investors does not exceed 20% of the total paid-up Equity Share capital of the Bank.

In terms of the SEBI FPI Regulations, purchase of equity shares of each company by a single FPI or an investor group shall be below 10.00% of the total issued capital of such company.

In terms of the SEBI FPI Regulations, any FPI who holds a valid certificate of registration shall be deemed to be an FPI.

Allotments made to VCFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively. In addition, FVCIs are not permitted to participate in the Issue.

Non-resident QIBs can participate in the Issue in accordance with the FEMA 17.

Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being the Bank's Promoter or any person related to the Bank's Promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to the Bank's Promoter:

1. rights under a shareholders' agreement or voting agreement entered into with the Bank's Promoter or persons related to the Bank's Promoter;

2. veto rights; or

3. a right to appoint any nominee director on the Central Board.

Provided, however, that a QIB which does not hold any of the Equity Shares and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to a Promoter.

The Bank and the Book Running Lead Managers are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the SEBI Takeover Regulations.

A minimum of 10.00% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: *Affiliates or associates of the Book Running Lead Managers who are QIBs may participate in the Issue in compliance with applicable laws.*

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms supplied by the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for the Equity Shares through Application Forms, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under "***Notice to Investors***", "***Representations by Investors***", "***Selling Restrictions***" and "***Eligibility and Transfer Restrictions***" beginning on pages 1,5, 235 and 241, respectively:

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded under Regulation 86 of the SEBI ICDR Regulations, has a valid and existing registration under applicable laws of India and is eligible to participate in the Issue;

2. The QIB confirms that it is not a Promoter and is not a person related to the Promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or promoter group or person related to the Promoter;

3. The QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Board other than that acquired in the capacity of a lender not holding any Equity Shares, which shall not be deemed to be a person related to the Promoter;

4. The QIB has no right to withdraw its Bid after the Bid / Issue Closing Date;

5. The QIB confirms that if the Equity Shares are Allotted through the Issue, it shall not, for a period of one year from Allotment, sell such the Equity Shares otherwise than on the floor of the Stock Exchanges;

6. The QIB confirms that the QIB is eligible to apply and hold the Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

7. The QIB confirms that the Application Form would not result in triggering a tender offer under the SEBI Takeover Regulations;

8. The QIB confirms that to the best of its knowledge and belief, together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50.00% of the Issue Size. For the purposes of this statement:

   (a) The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956;

   (b) "Control" shall have the same meaning as is assigned to it under Clause (e) of sub-regulation (1) of Regulation 2 of the SEBI Takeover Regulations.

9. The QIB confirms that it shall not undertake any trade in the Equity Shares credited into the beneficiary account maintained with the Depository Participant by the QIBs until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

10. The QIB acknowledges, represents and agrees that its total voting rights in the Bank does not exceed 10.00% of the total issued share capital of the Bank.

11. The QIB acknowledges that in accordance with Section 3(2D) of the Banking Companies Act, shareholding of non-residents in a corresponding new bank cannot exceed 20.00% of its paid up capital and in accordance with Section 3(2E) of the Banking Companies Act, no shareholder, other than the Government shall be entitled to exercise voting rights in excess of 10.00% of the total voting rights of all the shareholders of the corresponding new bank;

12. The QIB confirms that if it is a 'person resident outside India' in terms of the FEMA, it is an Eligible FPI participating in the Issue under the Portfolio Investment Scheme in terms of Schedule 2 to FEMA 17.

13. The QIB confirms that:

   (a) If it is within the United States, it is a U.S. QIB who is, or are acquiring the Equity Shares for its own account or for the account of an institutional investor who also meets the requirement of a U.S. QIB, for investment purposes only and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate;

   (b) If it is outside the United States, it is purchasing the Equity Shares in an offshore transaction in compliance with Regulation S under the U.S. Securities Act, and is not our affiliate or a person acting on behalf of such an affiliate;

It has read and understood, and by making a Bid for the Equity Shares through the Application Forms and pursuant to the terms of this Preliminary Placement Document, will be deemed to have made the representations, warranties and agreements made under the sections "***Notice to Investors***", "***Representations by Investors***", "***Selling Restrictions***" and "***Eligibility and Transfer Restrictions***" of this Preliminary Placement Document beginning on pages 1, 5, 235 and 241, respectively.

QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND

BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of the Allotment (as indicated by the CAN) and becomes a binding contract on the QIB upon issuance of the CAN by us in favour of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the QIB, the price and the number of the Equity Shares applied for. The Application Form shall be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at the following address:

Name of Book Running Lead Manager	Address	Contact Person	Email	Phone (Telephone and Fax)
Kotak Mahindra Capital Company Limited	27 BKC, 1st Floor, Plot No. C – 27, G Block, Bandra Kurla Complex Bandra (East), Mumbai 400051	Mr. Karl Sahukar	pnb.qip@kotak.com	Tel: +91 22 4336 0000 Fax: +91 22 6713 2447
DSP Merrill Lynch Limited	Ground Floor, A Wing, One BKC, G Block, Bandra Kurla Complex Bandra (East), Mumbai 400 051	Mr. Ranjan Sharma	ranjan.sharma@baml.com	Tel: +91 22 6632 8000 Fax: +91 22 2204 8518
Credit Suisse Securities (India) Private Limited	9th Floor, Ceejay House Plot F, Shivsagar Estate Dr. Annie Besant Road, Worli Mumbai 400 018	Mr. Abhay Agarwal	list.pnbqip@credit-suisse.com	Tel: +91 22 6777 3885 Fax: +91 22 6777 3820
Goldman Sachs (India) Securities Private Limited	Rational House 951-A, Appasaheb Marathe Marg Prabhadevi , Mumbai 400 025	Ms. Mrinalini Baral	Gs-kuber@gs.com	Tel: +91 22 6616 9000 Fax: +91 22 6616 9090
HSBC Securities And Capital Markets (India) Private Limited	52/60, Mahatma Gandhi Road Fort, Mumbai 400 001	Ms. Shreye Mirani / Mr. Ramakrishna Rao Chappidi	shreye.mirani@hsbc.co.in / ramakrishnaraochappidi@hsbc.co.in	Tel: +91 22 2268 5555 Fax: +91 22 2263 1284
Morgan Stanley India Company Private Limited	18F, Tower 2, One Indiabulls Centre 841, Senapati Bapat Marg, Lower Parel, Mumbai 400 013	Mr. Rahul Jain	pnb_qip2017@morganstanley.com	Tel: +91 22 6118 1770 Fax: +91 22 6118 1331
PNB Investment Services Limited*	PNB Pragati Towers, 2nd Floor C-9, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051	Mr. Vinay Rane/ Mr. Abhishek Gaur	pnbisl.qip@pnbisl.com	Tel: +91 22 2653 2745 Fax: +91 22 2653 2687

**PNB Investment Services Limited shall be involved only in marketing of the Issue in compliance with Regulation 21A of the SEBI Merchant Bankers Regulations.*

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the same.

PAN

Each QIB must mention its Permanent Account Number ("PAN") allotted under the IT Act. A copy of each QIB's PAN card is required to be submitted with the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build up of the book

The QIBs shall submit their Bids (including the revision of bids) for the Equity Shares within the Bid / Issue Period to Book Running Lead Managers and cannot be withdrawn after the Bid / Issue Closing Date. The book shall be maintained by the Book Running Lead Managers.

Price discovery, terms and allocation

The Bank, in consultation with the Book Running Lead Managers, shall determine the Issue Price which shall be at or above the Floor Price. The Bank may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.

After finalization of the Issue Price, the Bank will update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

The Bank shall determine the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VIII of the SEBI ICDR Regulations.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10.00% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF THE EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER THE BANK NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY SUCH NON-ALLOCATION.

Confirmation of Allocation Note or CAN

Based on the Application Forms received, the Bank, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, decide the QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such the Equity Shares by the Pay-in Date in their respective names shall be notified to such QIBs. Additionally, the CAN will include details of the relevant Escrow Account for transfer of funds if done electronically, address where the application money needs to be sent, Pay-in Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective QIB's account, as applicable to the respective QIBs ("**Designated Date**").

The QIBs, who have been allotted Equity Shares would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN to the QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Book Running Lead Managers and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

The Bank has opened the Escrow Account with Punjab National Bank, acting as the Escrow Collection Bank in terms of the arrangement among the Bank, the Book Running Lead Managers and the Escrow Collection Bank. The QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-in Date as mentioned in the respective CAN.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, the Bank and the Book Running Lead Managers have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to the compliance with the requirement of ensuring that the Application Forms are sent to QIBs.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of the Escrow Account as per the payment instructions provided in the CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

Closing Date and Allotment of the Equity Shares

The Bank will endeavor to complete the Allotment of Equity Shares by the probable Closing Date for those QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the Escrow Account as stated above.

In accordance with the SEBI ICDR Regulations, the Equity Shares will be issued and Allotment shall be made only in dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act.

The Bank, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment of the Equity Shares, the Bank will apply for final listing and trading approvals from the Stock Exchanges. In the event of any delay in the Allotment or credit of the Equity Shares, or receipt of listing or trading approvals or cancellation of the Issue, no interest or penalty would be payable by us or the Book Running Lead Managers.

Post receipt of the listing approval, the Issuer shall credit the Equity Shares into the depository participant account of the QIBs. The Escrow Agent shall release the moneys lying to the credit of the Escrow Agent to the Bank after the receipt of the final listing and trading approval from the Stock Exchanges. Pursuant to a circular dated March 5, 2010 issued by SEBI, the Stock Exchanges are required to make available on their websites the details of those allottees in Issue who have been allotted more than 5.00% of the securities offered, i.e. names of the allottees and number of securities allotted to each of them, pre and post Issue shareholding pattern of the Bank along with this Preliminary Placement Document. In addition, pursuant to Section 3(2D) of the Banking Companies Act, shareholding of non-residents in a corresponding new bank cannot exceed 20.00% of its paid up capital and Section 3(2E) of the Banking Companies Act mandates that no shareholder, other than the Government shall be entitled to exercise voting rights in excess of 10.00% of the total voting rights of all the shareholders of the corresponding new bank. In the event that the Bank is unable to issue and allot the Equity Shares offered in the Issue or on cancellation of the Issue, the money received from QIBs shall be refunded.

Other Instructions

Right to Reject Applications

The Bank, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of the Bank and the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialized form with NSDL or CDSL

The Allotment of the Equity Shares shall be only in dematerialized form (i.e., not in physical certificates but represented by the statement issued through the electronic mode).

A QIB applying for the Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares would be in dematerialized form only for all QIBs in the respective demat segment of the Stock Exchanges.

The Bank will not be responsible or liable for the delay in the credit of the Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

PLACEMENT

Placement Agreement

The Book Running Lead Managers have entered into a placement agreement with the Bank dated December 11, 2017 (the "**Placement Agreement**"), pursuant to which the Book Running Lead Managers have agreed to manage the Issue and procure QIBs to subscribe to the Equity Shares on a reasonable best efforts basis.

The Placement Agreement contains customary representations, warranties and indemnities from the Bank and it is subject to termination in accordance with the terms contained therein.

This Preliminary Placement Document has not been, and will not be, registered as a prospectus with any RoC and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs. No assurance can be given on liquidity or sustainability of trading market for the Equity Shares.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and to admit such Equity Shares to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable states securities laws of the United States and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are U.S. QIBs (for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Preliminary Placement Document as "QIBs" or "Qualified Institutional Buyers") and (b) outside the United States in compliance with Regulation S. Prospective purchasers in the United States are hereby notified that sellers of equity shares may be relying on the exemption under Section 4(a)(2) or Rule 144A or another available exemption under the U.S. Securities Act. The Equity Shares are transferable only in accordance with the restrictions described under "***Selling Restrictions***" and "***Eligibility and Transfer Restrictions***" beginning on pages 235 and 241, respectively.

In connection with the Issue, the Book Running Lead Managers (or their affiliates) may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Running Lead Managers may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions.

Certain of the Book Running Lead Managers and their respective affiliates have engaged or may in the future engage in transactions with and perform services for the Group in the ordinary course of business and have engaged, or may in the future engage in commercial banking advisory and investment banking transactions or other services with the Group and its affiliates for which they have received compensation and may in the future receive compensation.

PNB Investment Services Limited, a subsidiary of the Bank and one of the Book Running Lead Managers to the Issue, shall only be involved in marketing of the Issue.

Lock-up

The Bank will not for a period of 90 days from the date of Allotment, without the prior written consent of the Book Running Lead Managers directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for the Equity Shares; (c) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe to or purchase Equity Shares or which carry the right to subscribe to or purchase Equity Shares in depository receipt facilities or enter into any such transactions (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depository receipt facility; or (d) announce any intention to enter into any transaction whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or such other securities, in cash or otherwise.

The Equity Shares held by the Promoter shall not be subject to any lock-up under the Placement Agreement.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document or any offering material and the offering, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Preliminary Placement Document or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

General

This Preliminary Placement Document contains general information only and does not take account the investment objectives, financial situation or particular needs of any particular investor. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this Preliminary Placement Document is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to the Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI ICDR Regulations. Each purchaser of the Equity Shares in this Issue will be deemed to have made acknowledgments and agreements as described under "***Eligibility and Transfer Restrictions***" in this Preliminary Placement Document.

Australia

This Preliminary Placement Document (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia ("**Corporations Act**"); (b) does not purport to include the information required in a prospectus, product disclosure statement or other disclosure document prepared in accordance with the requirements of the Corporations Act; (c) has not been, nor will it be, lodged with the Australian Securities and Investments Commission ("**ASIC**"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (d) may not be provided in Australia other than to select investors ("**Exempt Investors**") who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D of the Corporations Act and (ii) are "wholesale clients" for the purpose of section 761G of the Corporations Act.

The Equity Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Equity Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Equity Shares may be distributed, received or published in Australia, except to Exempt Investors or where disclosure to investors otherwise is not required under Chapters 6D and Part 7.9 of the Corporations Act or otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Equity Shares, each purchaser of the Equity Shares represents and warrants to the Bank, the Book Running Lead Managers and their affiliates that such purchaser is an Exempt Investor.

As any offer of the Equity Shares under this Preliminary Placement Document, any supplement accompanying this Preliminary Placement Document or other document will be made without disclosure in Australia under Chapter 6D and Part 7.9 of the Corporations Act, the offer of those Equity Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Equity Shares each purchaser of the Equity Shares undertakes to the Bank and the Book Running Lead Managers that such purchaser will not, for a period of 12 months from the date of purchase of the Equity Shares, offer, transfer, assign or otherwise alienate those Equity Shares, or grant, issue or transfer interests in or options over them, to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Bahrain

All applications for investment should be received, and any allotments should be made, in each case from outside Bahrain. This Preliminary Placement Document has been prepared for private information purposes of intended investors only who will be high net worth individuals and institutions. No invitation to the public in the Kingdom of Bahrain to subscribe for the Equity Shares will be made and the Preliminary Placement Document will not be issued, passed to, or made available to the public generally. The Bahrain Monetary Agency has not reviewed, nor has it approved, the Preliminary Placement Document or the marketing of Equity Shares in the Kingdom of Bahrain. Accordingly, Equity Shares may not be offered or sold in Bahrain or to residents thereof except as permitted by Bahrain law.

Canada

The Equity Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Equity Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this preliminary placement document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Book Running Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Issue.

Cayman Islands

THIS PRELIMINARY PLACEMENT DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE EQUITY SHARES.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer to the public of any Equity Shares which are the subject of the offering contemplated by this Preliminary Placement Document may not be made in that Relevant Member State other than:

a. to a legal entity which is a qualified investor as defined in the Prospectus Directive; or

b. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Book Running Lead Manager or Book Running Lead Managers nominated by the Bank for any such offer; or

c. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Equity Shares shall require the Bank or any Book Running Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "an offer to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU and to the extent applicable, Prospectus Regulation (EU) 2017/1129), and includes any relevant implementing measure in the Relevant Member State.

In the case of any Equity Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares to the public, other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Book Running Lead Managers has been obtained to each such proposed offer or resale. The Bank, the Book Running Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor, and who has notified the Book Running Lead Managers of such fact in writing, may, with the prior consent of the Book Running Lead Managers, be permitted to purchase Equity Shares in the Issue.

This Preliminary Offering Memorandum is an advertisement and is not a prospectus for the purposes of EU Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU and to the extent applicable, Prospectus Regulation (EU) 2017/1129).

Hong Kong

WARNING: The contents of this Preliminary Placement Document have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer of the Equity Shares. If you are in any doubt about any of the contents of this Preliminary Placement Document, you should obtain independent professional advice.

The Equity Shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Equity Shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This Preliminary Placement Document is confidential to the person to whom it is addressed and no person to whom a copy of this Preliminary Placement Document is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Preliminary Placement Document to any other person in Hong Kong without the consent of the Bank.

Japan

The Equity Shares have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended, the "**FIEL**") and disclosure under the FIEL has not been, and will not be, made with respect to the Equity Shares. Neither the Equity Shares nor any interest therein may be offered, sold, resold, or otherwise transferred in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities. As used in this paragraph, a resident of Japan is any person that is resident in Japan, including any corporation or other entity organized under the laws of Japan.

Kuwait

The Equity Shares have not been and will not be offered, sold, promoted or advertised by it in Kuwait other than in compliance with Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of the Equity Shares is being made in Kuwait, and no agreement relating to the sale of the Equity Shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Equity Shares in Kuwait.

Malaysia

The offering of the Equity Shares has not been and will not be approved or recognised by the Securities Commission Malaysia (the "**SC**"), and this Preliminary Placement Document has not been and will not be registered as a prospectus with the SC under the Malaysian Capital Markets and Services Act of 2007 ("**CMSA**"). Accordingly, no Equity Shares or offer for subscription or purchase of the Equity Shares or invitation to subscribe for or purchase the Equity Shares is being made to any person in or from within Malaysia under this Preliminary Placement Document except to persons falling within paragraph 10 of Schedule 5 of the CMSA and distributed only by a holder of a Capital Markets Services Licence who carries on the business of dealing in securities.

The distribution in Malaysia of this Preliminary Placement Document is subject to Malaysian laws. No action has been taken in Malaysia under its securities laws in respect of this Preliminary Placement Document. This Preliminary Placement Document does not constitute and may not be used for the purpose of a public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the approval of the SC, the recognition of the Equity Shares by the SC or the registration of a prospectus with the SC under the CMSA.

Mauritius

THE OFFER CONTEMPLATED IN THIS PRELIMINARY PLACEMENT DOCUMENT IS NOT, AND SHALL NOT UNDER ANY CIRCUMSTANCES BE CONSTRUED AS, A PUBLIC OFFERING IN MAURITIUS OF THE INSTRUMENTS DESCRIBED HEREIN. NEITHER THIS PRELIMINARY PLACEMENT DOCUMENT NOR THE INSTRUMENTS DESCRIBED HEREIN HAVE BEEN REGISTERED OR QUALIFIED FOR OFFER OR SALE UNDER THE LAWS OF MAURITIUS. THIS PRELIMINARY PLACEMENT DOCUMENT MAY NOT BE DISTRIBUTED DIRECTLY OR INDIRECTLY IN MAURITIUS OR TO MAURITIAN RESIDENTS (EXCEPT ANY PERSON HOLDING A GLOBAL BUSINESS LICENSE IN MAURITIUS) AND THE EQUITY SHARES ARE NOT BEING OFFERED OR SOLD, NOR MAY THEY BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY, IN MAURITIUS OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF MAURITIUS, EXCEPT AS EXPRESSLY PROVIDED IN RELATION TO AFOREMENTIONED CORPORATIONS.

Saudi Arabia

This Preliminary Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia.

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Preliminary Placement Document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Preliminary Placement Document. Bidders should conduct their own due diligence on the accuracy of the information relating to the securities. If a Bidder does not understand the contents of this Preliminary Placement Document he or she should consult an authorized financial adviser.

The offer of Equity Shares is exempt from the public offer requirements of the Offers of Securities Regulations, but is subject to the following restrictions on secondary market activity pursuant to Article 17 of the Offers of Securities Regulations:

(a) a Saudi Investor (referred to as a "**transferor**") who has acquired Equity Shares pursuant to a private placement may not offer or sell Equity Shares to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorized person where one of the following requirements is met:

(i). the price to be paid for the Equity Shares in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

(ii). the Equity Shares are offered or sold to a sophisticated investor; or

(iii). the Equity Shares are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;

(b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Equity Shares being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Equity Shares to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Equity Shares if he/she sells his entire holding of Equity Shares to one transferee; and

the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Equity Shares.

Singapore

This Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Preliminary Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"); (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Equity Shares subscribed or purchased pursuant to sections 274 or 275 of the SFA may only be transferred in accordance with the provisions of section 276 of the SFA.

Switzerland

The Equity Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. Neither this Preliminary Placement Document nor any other offering or marketing material relating to the Equity Shares constitutes a prospectus as such term is understood pursuant to article 652a, article 752 or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of Art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Preliminary Placement Document nor any other offering or marketing material relating to the Equity Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Preliminary Placement Document nor any other offering or marketing material relating to the Issue, the Bank or the Equity Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Preliminary Placement Document will not be filed with, and the offer of Equity Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA. The offering has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). Accordingly, the investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Equity Shares.

United Arab Emirates (excluding the Dubai International Financial Centre)

This Preliminary Placement Document is not intended to constitute an offer, sale or delivery of the Equity Shares or other securities under the laws of the United Arab Emirates ("**UAE**"). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

In relation to its use in the UAE, this Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the UAE.

United Kingdom

Each of the Book Running Lead Managers has represented and agreed that:

a. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Equity Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

b. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Equity Shares in, from or otherwise involving the United Kingdom.

United States

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws.

Accordingly, the Equity Shares are being offered and sold only (1) in the United States to U.S. QIBs pursuant to Section 4(a)(2) under the U.S. Securities Act or Rule 144A or another available exemption under the U.S. Securities Act, and (2) outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of each jurisdiction where such offers and sales occur.

The Equity Shares are not transferable by investors except in accordance with the restrictions described under "***Eligibility and Transfer Restrictions***" beginning on page 241 of this Preliminary Placement Document.

In addition, until 40 days after the commencement of the Issue, an offer or sale of the Equity Shares into or within the United States by a dealer (whether or not such dealer is participating in the Issue) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in reliance on Section 4(a)(2) or Rule 144A or another available exemption from registration under the U.S. Securities Act.

ELIGIBILITY AND TRANSFER RESTRICTIONS

Due to the following restrictions, investors are advised to consult legal counsel prior to purchasing Equity Shares or making any offer, resale, pledge or transfer of the Equity Shares offered hereby.

Transfer Restrictions relating to Equity Shares sold in the United States

Each investor purchasing the Equity Shares in the United States will be deemed to have represented and agreed that it has received such information as is necessary to make an informed investment decision, and by accepting delivery of this Preliminary Placement Document, will be deemed to have represented, agreed and acknowledged that (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

- it (A) is a "qualified institutional buyer" as defined in Rule 144A of the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), (B) is aware that the sale of the Equity Shares to it is being made in reliance on Section 4(a)(2) under the U.S. Securities Act or another available exemption from the registration requirements of the U.S. Securities Act, (C) is acquiring such Equity Shares for its own account or for the account of a "qualified institutional buyer", and (D) is authorized to complete the purchase of the Equity Shares in compliance with all applicable laws and regulations;

- it: (A) is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares, (B) is experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions, and (C) will make its own independent investigation and appraisal of the business, results of operation, financial condition, prospects, status and affairs of the Bank and it will make its own investment decision to acquire the Equity Shares;

- it and any accounts for which it is purchasing the Equity Shares: (A) are each able to bear the economic risk of the investment in the Equity Shares, (B) will not look to the Bank or any of the Book Running Lead Managers for all or part of any such loss or losses that may be suffered, (C) are able to sustain a complete loss on the investment in the Equity Shares, (D) have no need for liquidity with respect to the investment in the Equity Shares, and (E) has no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Equity Shares. It acknowledges that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. It is seeking to purchase the Equity Shares in this Issue for its own investment and not with a view to distribution;

- it is not an affiliate (as defined in Rule 405 of the U.S. Securities Act) of the Bank or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Equity Shares from the Bank or an affiliate (as defined in Rule 405 of the U.S. Securities Act) thereof in the initial distribution of the Equity Shares;

- it understands and agrees that the Equity Shares are being offered in a transaction not involving any public offering within the meaning of the U.S. Securities Act, and that the Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be reoffered, resold, pledged or otherwise transferred except: (A) (i) in the United States to a person who the seller reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A of the U.S. Securities Act) in a transaction meeting the requirements of Rule 144A, or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, as applicable, or (iii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 under the U.S. Securities Act (if available), or (iv) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, or (v) pursuant to an effective registration statement under the U.S. Securities Act, and (B) in each case, in accordance with all applicable securities laws of the states of the United States and any other jurisdiction; and

- it acknowledges and agrees that the Bank, the Book Running Lead Managers and their respective affiliates (as defined in Rule 405 of the U.S. Securities Act) and others will rely upon the truth and accuracy of the foregoing representations and agreements and agrees that, if any of such representations or agreements are no longer accurate it will promptly notify us; and if it is acquiring any of the Bank's Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make, and does make, the foregoing representations and agreements on behalf of each such account.

Transfer Restrictions relating to Equity Shares sold outside the United States

Each investor purchasing the Equity Shares outside the United States will be deemed to have represented and agreed that it has received such information as is necessary to make an informed investment decision, and by accepting delivery of this Preliminary Placement Document, will be deemed to have represented, agreed and acknowledged that (terms used herein that are defined in Regulation S are used herein as defined therein):

- it certifies (or if it is a broker-dealer acting as an agent on behalf of a customer, its customer has confirmed to it that such customer certifies) that: (A) it is, and at the time the offer of Equity Shares was made to it and its buy order for Equity Shares was originated it was, located outside the United States (within the meaning of Regulation S), (B) it is authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;

- it: (A) is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares, (B) is experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions, and (C) will make its own independent investigation and appraisal of the business, results of operation, financial condition, prospects, status and affairs of the Bank and it will make its own investment decision to acquire the Equity Shares;

- it and any accounts for which it is purchasing the Equity Shares: (A) are each able to bear the economic risk of the investment in the Equity Shares, (B) will not look to the Bank or any of the Book Running Lead Managers for all or part of any such loss or losses that may be suffered, (C) are able to sustain a complete loss on the investment in the Equity Shares, (D) have no need for liquidity with respect to the investment in the Equity Shares, and (E) has no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Equity Shares. It acknowledges that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. It is seeking to purchase the Equity Shares in this Issue for its own investment and not with a view to distribution;

- it is not an affiliate (as defined in Rule 405 of the U.S. Securities Act) of the Bank or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Equity Shares from the Bank or an affiliate (as defined in Rule 405 of the U.S. Securities Act) thereof in the initial distribution of the Equity Shares;

- it acknowledges and agrees (or if it is a broker-dealer acting as an agent on behalf of a customer, its customer has confirmed to it that such customer acknowledges and agrees) that such Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States;

- it agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer agrees) that prior to the expiration of 40 days after the closing of the Global Offer, it (or such customer) will not offer, sell, pledge or otherwise transfer such Equity Shares except: (A) (i) to a person whom it reasonably believes (or it or anyone on its behalf reasonably believes) is a "qualified institutional buyer" under Rule 144A (as defined in Rule 144A of the U.S. Securities Act) purchasing for its own account or the account of a "qualified institutional buyer" in a transaction meeting the requirements of Rule 144A, or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, or (iii) pursuant to any other available exemption from registration under the U.S. Securities Act, or (iv) pursuant to an effective registration statement under the U.S. Securities Act, and (B) in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India; and

- it acknowledges and agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges and agrees) that we, the Book Running Lead Managers and their respective affiliates (as defined in Rule 405 of the U.S. Securities Act) and others will rely upon the truth and accuracy of the foregoing representations and agreements and agrees that, if any of such representations or agreements are no longer accurate, it will promptly notify us; and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make, and does make, the foregoing representations and agreements on behalf of each such account.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the aforementioned restrictions, will not be recognized by us.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI and the Stock Exchanges, and has not been prepared or independently verified by us, the Book Running Lead Managers, or any of its respective affiliates or advisers.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government of India acting through the MoF, Capital Markets Division, under the SCRA and the SCRR. On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 ("**SCR (SECC) Rules**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum net worth requirements for stock exchanges and clearing corporations. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, qualifications for membership thereof and the manner in which contracts are entered into and enforced between members of the stock exchanges.

The SEBI Act, under which SEBI was established by the Government of India, granted powers to SEBI to promote, develop and regulate the Indian securities markets, including stock exchanges and other financial intermediaries in the capital markets, to protect the interests of investors, to promote and monitor self-regulatory organizations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, Mutual Funds, FPIs, credit rating agencies and other capital market participants.

Listing

The listing of securities on recognized stock exchanges in India is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act, the SEBI Listing Regulations and the various regulations issued by SEBI including the SEBI Listing Regulations and the listing agreements executed by listed companies with the stock exchanges. Under the SCRA and the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach by a listed company of its obligations under the SEBI Listing Regulations or for any other reason, subject to such company receiving prior notice of such intent of the stock exchange and upon granting of a hearing in the matter.

Delisting of Securities

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended, in relation to the voluntary and compulsory delisting of securities from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Disclosures under the SEBI Listing Regulations

Public listed companies are required under the SEBI Listing Regulations to prepare and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party transactions and management's discussion and analysis as required under the SEBI Listing Regulations. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of the SEBI Listing Regulations.

Minimum Level of Public Shareholding

Under the SCRR, all listed companies (except public sector undertakings) are required to maintain a minimum public shareholding of 25.00%. However, pursuant to another amendment of the SCRR in November 2014, a public company seeking to get its securities listed shall offer and allot (i) at least 25.00% of the securities issued by the company if the post issue capital is less than or equal to ₹ 16.00 billion, (ii) at least such percentage of the securities issued by the company equivalent to ₹ 4.00 billion if the post issue capital of the company is more than ₹ 16.00 billion but less than or equal to ₹ 40.00 billion or (iii) at least 10.00% the securities issued by the company, if the post issue capital of the company is above ₹ 40.00 billion. In case of (ii) and (iii) above, the public shareholding is required to be increased to 25.00% within a period of three years from the date of listing of the securities.

Where the public shareholding in a listed company falls below 25.00% at any time, such company shall bring the public shareholding to 25.00% within maximum of 12 months from the date of such fall in shareholding.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers for most stocks, which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker, when triggered, brings about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the S&P BSE SENSEX of BSE or the S&P CNX NIFTY of NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place varying individual scrip-wise price bands. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

BSE

BSE is one of the stock exchanges in India on which the Equity Shares are listed. Established in 1875, it is the first stock exchange in India to have obtained permanent recognition with effect August 31, 1957 from the Government of India under the SCRA. S&P BSE Sensex consists of listed shares of 30 companies. It has evolved over the years into its present status as one of the premier stock exchanges of India.

NSE

NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked, screen-based trading facilities to market makers, to provide electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. After recognition as a stock exchange under the SCRA in April 1993, NSE commenced operations in the wholesale debt market segment in June 1994 and operations in the derivatives segment in June 2000. NSE launched NSE 50 index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996.

Trading Hours

Trading on both Stock Exchanges normally occurs Monday through Friday, between 9:15 a.m. and 3:30 p.m. The Stock Exchanges are closed on public holidays. By a SEBI circular dated October 23, 2009, the stock exchanges have been permitted to set their own trading hours (in cash and derivative segments) subject to the condition that (i) the trading hours are between 9 a.m. and 5 p.m.; and (ii) the stock exchange has in place risk management system and infrastructure commensurate to the trading hours.

Internet-Based Securities Trading and Services

SEBI, *vide* circular no. SMDRP/POLICY/CIR/6/2000, approved internet trading on January 31, 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and to comply with certain minimum conditions stipulated by SEBI and other applicable laws. NSE became the first exchange to grant approval to its members for providing Internet-based trading services. Internet trading is possible on both the 'equities' as well as the 'derivatives' segments of NSE.

Trading Procedure

In order to facilitate smooth transactions, in 1995, BSE replaced its open outcry system with BSE Online Trading ("**BOLT**") facility. In the year 2014, BSE introduced its new generation trading platform, BOLT Plus. NSE has introduced a fully automated trading system called the "National Exchange for Automated Trading", or NEAT, which operates on a strict price / time priority besides enabling efficient trade.

SEBI Takeover Regulations

Disclosure and mandatory open offer obligations for listed Indian companies under Indian law are governed by the SEBI Takeover Regulations which provides specific regulations in relation to substantial acquisition of shares and takeovers. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the SEBI Takeover Regulations will apply to any acquisition of the company's shares / voting rights / control. The SEBI Takeover Regulations prescribe certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the SEBI Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The SEBI Takeover Regulations also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

Insider Trading Regulations

SEBI has notified the SEBI Insider Trading Regulations, 2015. In terms of the SEBI Insider Trading Regulations, an insider is, *inter alia*, prohibited from dealing in the securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price-sensitive information. The SEBI Insider Trading Regulations provide disclosure obligations for promoters, employees, directors, key managerial persons and their relatives, with respect to their trades in the securities of the company. The definition of "insider" includes any person who is in possession of or has access to unpublished price sensitive information or who is a connected person.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. Further, SEBI framed regulations in relation to, *inter alia*, the formation and registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 pursuant to which derivative contracts were included within the term 'securities', as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange.

DESCRIPTION OF THE EQUITY SHARES

Set forth below are certain provisions relating to the Bank's share capital and the Equity Shares, including brief summaries of certain provisions of the Punjab National Bank (Shares and Meetings) Regulations, 2000. The Bank follows the RBI Dividend Circular in relation to declaration of dividends.

General

The authorized share capital of the Bank is ₹ 3,000.00 crore divided into 15,000,000,000 Equity Shares of ₹ 2 each. The Equity Shares are listed on the Stock Exchanges.

Capital

The shares of our Bank are movable property, transferable in the manner provided under the Punjab National Bank Regulations. Our Bank is permitted to raise capital by public issue or preferential allotment or private placement of equity shares or preference shares in accordance with provisions of the Banking Companies Act. Our Bank will be required to formulate a proposal to raise capital in accordance with the guidelines, rules or regulations of the SEBI, relating to raising of such capital. In accordance with the Punjab National Bank Regulations, our Bank will be required to submit the proposal to the RBI and take into account the views of the RBI before finalizing the proposal. Further, the final proposal will be required to be submitted to the Government for its sanction and the Government may grant sanction subject to such terms and conditions as it may deem fit.

Register of Shareholders

The Bank is required to keep, maintain and update a share register of its shareholders. The particulars required to be entered in the share register shall be maintained in the form of books or data stored in magnetic / optical / magneto-optical media by way of diskettes, floppies, cartridges or otherwise in computers to be maintained at the Head Office and back up at such location as may be decided from time to time by the Chairman or Managing Director or any other designated official. The Bank is required to maintain the register in electronic format subject to safeguards stipulated in the Information Technology Act, 2000, as amended.

Share Certificate

Each share certificate in respect of shares of the Bank is required to bear a distinctive share certificate number; the number of shares in respect of which it is issued and the name of the shareholder to whom it is issued and it should be in such form as may be specified by the Board. Every share certificate should be issued under the common seal of the Bank in pursuance of a resolution of the Board and it should be signed by two Directors and some other officer not below the rank of Scale-II or the company secretary appointed by the Board for the purpose. No share certificate is valid unless and until it is so signed. Share certificate so signed will be valid and binding notwithstanding that, before the issue thereof, any person whose signature appears thereon may have ceased to be a person authorized to sign the share certificates on behalf of the Bank.

Issue of Share Certificates

Under the provisions of the Punjab National Bank Regulations, a shareholder who has been registered as a shareholder shall be entitled to one certificate for each hundred shares or multiples thereof registered in his name on any one occasion and one additional share certificate for the number of shares in excess thereof but less than hundred. Further, if the number of shares to be registered is less than hundred, one certificate shall be issued for all the shares. In the case of shares held jointly by several persons, delivery of the relative certificate or certificates to one of such joint holders shall be sufficient delivery to all, and a receipt signed by any one of the joint holders shall effectually bind all the joint holders.

Call on Shares

In accordance with the Punjab National Bank Regulations, the Board is permitted, from time to time, to make calls as it thinks fit upon the shareholders in respect of all monies remaining unpaid on the shares held by them, which are by the conditions of allotment not made payable at fixed times, and each shareholder shall pay the amount of every call so made on him to the person and at the time and place appointed by the Board. In addition, a call may be payable in instalments. Further, a call shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed and may be made payable by the shareholders on the register on such date or at the discretion of the Board on such subsequent date as may be fixed by the Board.

Under the provisions of the Punjab National Bank Regulations, a notice of not less than thirty days of every call must be given specifying the time of payment provided that before the time for payment of such call our Board may by notice in writing to the shareholders revoke the same. Further, our Board may, from time to time and at its discretion, extend the time fixed for the payment of any call to all or any of the shareholders having regard to distance of their residence or some other sufficient cause, but no shareholder shall be entitled to such extension as a matter of right.

Transfer of Shares

The shares of the Bank shall be movable property and are freely transferable in the manner provided in the Punjab National Bank Regulations. The shareholders of the Bank can transfer their shares by an instrument of transfer in the form provided under the Punjab National Bank Regulations or in such other form as may be approved by the Bank from time to time and must be duly stamped, dated and executed by or on behalf of the transferor and the transferee along with the relative share certificate.

Forfeiture of shares

The Bank can by a resolution of the Board forfeit the shares, if the calls on such shares are unpaid. Any share so forfeited will be deemed to be the property of the Bank and may be sold, re-allocated or otherwise disposed of to any person upon such terms and in such manner as the Board may decide.

Meeting of Shareholders

There are two types of general meetings of shareholders: AGM and extra ordinary general meeting. For convening an AGM, a notice signed by the chairman and the managing director or the executive director or any officer not below the rank of scale VII or the company secretary should be published at least twenty-one clear days before the meeting in not less than two daily newspapers having wide circulation in India. Every such notice is required to state the time, date and place of such meeting, and also the business that should be transacted at that meeting. An extraordinary general meeting of shareholders can be convened by the chairman and managing director or in their absence by the Executive Director or in their absence by any one of the other Directors, or on a requisition for such a meeting having been received either from the Government or from other shareholders holding an aggregate of shares carrying not less than 10.00% of the total voting rights of all the shareholders. The requisition should state the purpose for which such extraordinary general meeting is required to be convened. The time, date and place of an extraordinary general meeting shall be decided by the Board, provided that a special general meeting convened on requisition by other shareholders will be convened not later than forty five days of the receipt of the requisition.

No business shall be transacted at any meeting of the shareholders unless a quorum of at least five shareholders entitled to vote at such meeting in person are present at the commencement of such business. If within half an hour after the time appointed for the holding of a meeting, a quorum is not present in the case of a meeting called by a requisition of shareholders other than the Government, the meeting shall stand dissolved. In any other case, if within half an hour after the time appointed for the holding of a meeting, a quorum is not present, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and such other time and place as the Chairman may determine.

Voting rights of Shareholders

The Punjab National Bank Regulations read with the Banking Companies Act provide that no shareholder other than the Government shall be entitled to exercise voting rights in respect of any shares held by them in excess of 10.00% of the total voting rights of all the shareholders of the Bank. In addition, Section 3(2D) of the Banking Companies Act mandates that shareholding of non-residents in a corresponding new bank cannot exceed 20.00% of its paid up capital. Each shareholder who has been registered as a shareholder on the date of closure of the register prior to the date of a general meeting shall, at such meeting, have one vote on show of hands and in case of a poll shall have one vote for each share held by him. Shareholders of our Bank entitled to attend and vote at a general meeting shall be entitled to appoint another person (whether a shareholder or not) as their proxy to attend and vote instead of them, but a proxy so appointed shall not have any right to speak at the meeting.

Right to elect Directors

A director, under sub-section (1) of Regulation 63 of the Punjab National Bank Regulations, is to be elected by the shareholders on the register, other than the Government, from amongst themselves in a general meeting of the Bank. Where an election of a director is to be held at any general meeting, the notice thereof should be included in the notice convening the meeting. Every such notice should specify the number of directors to be elected and the particulars of vacancies in respect of which the election is to be held.

Declaration of Dividend

As per the RBI Dividend Circular, the Bank can declare dividends only if the Bank has a (i) CRAR of at least 9.00% for the preceding two completed years and the accounting year for which it proposes to declare a dividend; and (ii) net NPA less than 7.00%. In case the Bank does not meet the said CRAR norm, but has a CRAR of at least 9.00% for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its net NPA ratio is less than 5.00%.

As per the letter dated April 13, 2010, the MoF has directed all public sector banks, including the Bank, to pay a minimum of 20.00% of their equity or 20.00% of their post-tax profits, whichever is higher for the fiscal year 2010.

The Bank is required to comply with certain provisions of the Banking Regulation Act including Section 15; Section 10(7) of the Banking Companies Act and the prevailing regulations / guidelines issued by the RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves. See, "***Dividend Policy***" on page 82. The proposed dividend should be paid out of the current year's profit. Also, the RBI should not have placed any explicit restrictions on the Bank for declaration of dividends. The rate of dividend shall be determined by the Board.

TAXATION

To

The Board of Directors
Punjab National Bank
Plot No. 4
Sector 10, Dwarka
New Delhi 110 075, India

Dear Sirs,

Sub: Qualified institutional placement of equity shares (the "Equity Shares") of Punjab National Bank (the "Bank")under Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "ICDR Regulations" and such proposed placement, the "QIP")

We hereby certify and confirm that the 'Statement of Tax Benefits' as attached herewith sets out the possible tax benefits available to the Bank and holders of the Equity Shares under the Income Tax Act, 1961, (the "**Act**")as amended by the Finance Act, 2017, applicable to the financial year 2017-2018, relevant to the assessment year 2018-2019 as presently in force in India.

We hereby give our consent to include the enclosed 'Statement of Tax Benefits' regarding the possible tax benefits available to the Bank and to the holders of the Equity Shares, in the preliminary placement document and placement document for the proposed QIP.

Yours faithfully,

For and on behalf of

For Chhajed & Doshi	**For R. Devendra Kumar& Associates**	**For Hem Sandeep & Co.**
Chartered Accountants	Chartered Accountants	Chartered Accountants
FRN 101794W	FRN 114207W	FRN 009907N
(Kiran K Daftary)	**(Neeraj Golas)**	**(Sandeep Jain)**
Partner	Partner	Partner
M No. 010279	M No. 074392	M No.087977

For Suri & Co.	**For SPMG & Co.**
Chartered Accountants	Chartered Accountants
FRN 004283S	FRN 509249C

(R. Mahesh)	**(Satish Chander)**
Partner	Partner
M No. 024775	M No. 087562

Dated: December 11, 2017

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of the Equity Shares, under the current tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of any shareholder to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultants and advisors with respect to the tax implications of an investment in the Equity Shares, particularly in view of certain recently enacted legislation which may not have a direct legal precedent or may have a different interpretation on the benefits which can be availed. All the tax benefits mentioned in this document are subject to the specific conditions mentioned in the respective section and / or the related rules or guidelines.

The law stated below is as per the Income tax Act, 1961 as amended by the Finance (No. 2) Act, 2017.

LIMITATION

Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the Offer relying on the statement.
This statement has been prepared solely in connection with the Offer under the Regulations as amended.

I. INCOME-TAX ACT, 1961

A. TAX BENEFIT TO THE BANK

1. Income by way of interest, premium on redemption or other payment on notified securities, bonds, certificates issued by the Central Government is exempt from tax under Section 10(15) as per conditions specified in the concerned notification.

2. Dividends from domestic companies earned by the Bank are exempt from tax in accordance with and subject to the provisions of Section 10 (34) read with Section 115-O. However, as per Section 94(7), losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed as exempt. Also, no credit can be claimed in respect of the Dividend Distribution Tax paid by the Company.

3. Income earned by the Bank from investment in units of mutual fund specified under Section 10(23D) or income received in respect of units from the administrator of the specified undertaking or income received in respect of units from the specified company is exempt from tax under Section 10(35), subject to conditions. However, as per Section 94(7), losses arising from the sale/ redemption of units purchased within three months prior to the record date (for entitlement to receive income) and sold within nine months from the record date, will be disallowed to the extent such loss does not exceed the amount of income claimed exempt. Under Section 94(8), losses arising from sale/ transfer of units of mutual funds, where such units are purchased within three months prior to the record date, additional units are allotted without payment based on holdings on such date and all or any units initially purchased are sold within nine months from the record date while continuing to hold all or any additional units, will be ignored for computing chargeable income. Such loss ignored will be considered as the cost of acquisition of the additional units held on the date of sale/transfer.

4. Under Section 36(1)(vii), any bad debt or part thereof written off as irrecoverable in the accounts of the Bank is allowable as a deduction, subject to the provisions of section 36(2). The deduction of bad debts is limited to the amount, by which such bad debts or part thereof, exceeds the credit balance in the provision for bad and doubtful debts account made under Section 36(1)(viia).

5. Under Section 36(1)(viia),a deduction is allowable in respect of any provision made for bad and doubtful debts, by an amount not exceeding 8.5% of total income (computed before making any deduction under this Clause and Chapter VIA) and an amount not exceeding 10% of the aggregate average advances made by rural branches of the Bank computed in the prescribed manner.

6. In terms of Section 36(1) (viii) of the Act, the bank is allowed deduction in respect of any special reserve created and maintained by the Bank for an amount not exceeding 20% of the profits derived from the business of long term finance for industrial or agricultural development or development of infrastructure facility in India or development of housing in India. Further, if the aggregate amount carried to the Special Reserve account from time to time exceeds twice the paid-up capital and general reserves, no deduction shall be allowed on the excess amount under the Section. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions for Section 41(4A) of the Act.

7. Under Section 36(1)(xv), securities transaction tax paid by a taxpayer in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

8. Interest income on certain categories of bad and doubtful debts, as specified in Rule 6EA of the Income tax Rules, 1962, is chargeable to tax only in the year of receipt or credit to the Profit & Loss Account of the Bank whichever is earlier, in accordance with the provisions of Section 43D.

9. Under Section 47(xv), no capital gain is chargeable on any transfer in a scheme of lending of any securities under an agreement or arrangement, which the assessee has entered into with the borrower of such securities and which is subjected to the guidelines issued by the Securities and Exchange Board of India or Reserve Bank of India, in this regard.

10. As per provisions of Section 72, the Bank is entitled to carry forward business losses that cannot be set off against permitted sources of income in the relevant assessment year, for a period of 8 consecutive assessment years immediately succeeding the assessment year when the losses were first computed, and set off such losses against income chargeable under the head "Profits and gains from business or profession" in such assessment year. The set off is permissible even if the business in which the loss was sustained is not carried on in the year of set off.

11. Under Section 74, short-term capital loss suffered during the year is allowed to be carried forward and set-off against short-term as well as long-term capital gains of a subsequent year. Such loss is permitted to be carried forward for upto eight years immediately succeeding the year in which such loss arises, for claiming set-off against subsequent years' short-term as well as long term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for upto eight years for claiming set-off against subsequent years' long-term capital gains.

B. STATEMENT OF GENERAL DIRECT TAX BENEFITS AVAILABLE TO THE RESIDENT SHAREHOLDERS (PUBLIC SECTOR ENTERPRISES, MUTUAL FUNDS AND DOMESTIC INSURANCE COMPANIES IN INDIA) AND FOREIGN INSTITUTIONAL INVESTORS (FIIs)

B.1. To Resident Shareholders
(Scheduled Commercial Banks, public financial institutions, state industrial development corporations, others)

1. The gains/losses, arising from sale of shares will assume the character of Capital Gains or Business Income depending on the nature of holding in the hands of the shareholder and various other factors. Taxability of income on regular trading of securities will depend on facts and circumstances of each case.

2. Dividends earned on shares of the Bank are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Act subject to provisions of section

115BBDA, as per which dividend paid by a domestic company exceeding ten lakh rupees is taxable at the rate of ten percent for certain specified assessees. However, as per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed as exempt.

3. Long term capital gain, as defined under section 2(29B) of the Act, arising on sale of Banks share is fully exempt from tax in accordance with the provision of section 10(38) of the Act where the sale is made on or after October 1, 2004 on a recognized stock exchange and transaction of sale is chargeable to securities transaction tax. The above exemption shall not be available in case the transaction of acquisition of Bank shares is entered into on or after the 1 st October 2004 and such transaction is not chargeable to securities transaction tax. However, such income by way of Long Term Capital gain shall be taken into account in computing the Book Profit and Income tax payable under Section 115JB.

4. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible expenditure.

5. Under section 36(1) (xv) of the Act, securities transaction tax paid by a shareholder in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head profits and gains of business or profession.

6. Under Section 54EC and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under Section 10(38)) arising on transfer of Bank's shares would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets redeemable after three years) issued on or after April 1, 2007 by:

   a. National Highways Authority of India constituted under Section 3 of The National Highways Authority of India Act, 1988; or

   b. Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

   c. or any other bond notified by the Central Government in this behalf.

   The investment in the long term specified assets is eligible for such deduction to the extent of Rs.5 million. Such investment during the financial year in which the shares are transferred and in the subsequent financial year cannot exceed Rs.5 million. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain, However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

   However, in case of companies, such exempt capital gains cannot be reduced from "book profits" under Section 115JB and the company will be required to pay Minimum Alternate Tax at 18.5% (plus applicable surcharge and education cess) on such book profits if 18.5% of 'book profits" is higher than tax liability under normal provisions of the Act.

7. Under Section 74, a short-term capital loss can be set off against capital gain, whether short-term or long term. To the extent that the loss is not absorbed in the year of transfer, it would be carried forward for eight subsequent years. Long-term loss arising from a transfer of a capital asset can only be set off against long-term capital gain. The excess/ balance loss, if any, can be carried forward for eight years for claiming set off against subsequent years' long-term capital gains.

8. Under section 111A of the Act, Short term capital gains (as defined in section 2(42B)) arising on the transfer of equity shares would be taxed at 15% (plus applicable surcharge and education cess),

where the sale is made on or after October 1, 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax. In all other cases, the short term capital gains would be taxed at the normal rates of tax (plus applicable surcharge and education cess). Cost indexation benefits would not be available in computing tax on short term capital gain.

Such concessional rate would be available without such transaction being subject to STT, if such transaction is undertaken on a recognised stock exchange located in any International Financial Services Centre and where the consideration is paid or payable in foreign currency. No deduction under Chapter VIA of the Act shall be allowed 234 from such short term capital gain. Short term capital gain that are not liable to STT would be subject to tax as calculated under the normal provisions of the Act.

9. Under section 112 of the Act, long-term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and cess) after indexation, as provided in the second proviso to section 48 of the Act. However, in case of listed securities (other than units), the amount of such tax could be limited to 10% (plus applicable surcharge and cess), without indexation, at the option of the shareholder in cases where securities transaction tax is not levied.

A base year for indexation purposes is shifted from 1 April 1981 to 1 April 2001, cost of acquisition of shares acquired before 1 April 2001 shall be allowed to be taken as fair market value as on 1 April 2001.

B.2. To the Resident Mutual Fund

Under Section 10(23D), exemption is available in respect of all income (including capital gains arising on transfer of shares of the Bank) earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or such other mutual fund set up by a public- sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to the conditions as the Central Government may specify by notification.

B.3. To the Domestic Insurance Company

Taxation of insurance companies is governed by Section 44 of the Act which provides a special regime for taxation of insurance companies. The section states that notwithstanding anything to the contrary contained in the provisions of this Act relating to computation of income chargeable under the head “income from house property”, “capital gains” or “income from other sources” or in section 199 or in sections 28 to 43B, the profits and gains of any business of insurance, including a mutual insurance company or by a co-operative society shall be computed in accordance with the rules contained in the First Schedule.

Taxation of life insurance business in India governed by section 115B, section 44 and the First Schedule of the Income Tax Act, 1961. “Profit and gains of the life insurance business” is taken as “annual average of the surplus arrived at after adjusting the surplus or deficit disclosed by the actuarial valuation” excluding “from it any surplus or deficit included therein which was made in any earlier inter-valuation period.”

Provisions of computation of Minimum Alternative Tax under section 115JB of the Act are not applicable to income accruing to a company from life insurance business.

Profits and gains of business of general insurance companies is computed based on the profit and loss account prepared in accordance with the provisions of the Insurance Act, 1938 and the IRDA Act, 1999 and the related Rules under both laws, subject to the following adjustments:

a. Additions of the amounts which are not admissible under the provisions of section 30 to 43B.

b. Any gains or loss on realization of investments shall be added or deducted, if such gain or loss is not credited or debited to the profit and loss account.

c. Any provision for diminution in the value of investments debited to profit and loss account shall be added back.

d. Amount carried to reserve for unexpired risk shall be allowed as a deduction as prescribed in rule 6E of the Income Tax Rules, 1962.

Tax rate: For Life Insurance Companies: 12.5% on profits from life insurance business and 30% on other than life Insurance business income as increased by surcharge and education cess. For general insurance companies: 30% of profits as increased by surcharge and education cess.

B.4. Provident Fund and Pension Fund

Under section 10(25) of the Act, any income received by trustees on behalf of a recognized provident fund (as defined in section 2(38)) and an Approved superannuation fund (as defined in section 2(6)) is exempt from tax.

B.5. Venture Capital Fund or Venture Capital Company (VCC or VCF):

Income of a VCF or VCC from investments in a Venture Capital Undertaking is exempt under section 10(23FB) of the Act. In accordance with section 115-U, any income accruing or received by a person out of investment in venture capital fund or venture capital company shall be chargeable to income tax in the same manner as if it were income accrued or received by such person had he made investment in the venture capital undertaking directly. The income paid by VCF or VCC shall be deemed to be of the same nature and in the same proportion in the hands of the person receiving it as it had been received by or had accrued or arisen to VCF or VCC as the case may be. The income accruing or arising to or received by a VCF or VCC from investments in a Venture Capital Undertaking shall be 235 deemed to have been credited to the account of such person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the Income.

C. Non-Resident Shareholders

C.1. Multi-lateral and bilateral development financial institutions

Multilateral and bilateral development financial institutions may be exempt from taxation in India on the Capital gains arising on the sale of shares of the bank depending on the applicable Statute and Acts passed in India. In case they are not specifically exempt from tax then the provisions as applicable for capital gains to a non-resident FII may apply, as presumably they would be registered as FII.

C.2 Foreign Institutional Investors (FIIs)

1. Dividends earned on shares of the Bank are exempt from tax in accordance with and subject to the provisions of Section 10(34) read with Section 115-O.

2. As per Section 115AD, FIIs will be taxed at:

   a. 10% (plus applicable surcharge and Education cess) on long-term capital gains, where STT is not payable on the transfer of the shares.

   b. 15% (plus applicable surcharge and Education cess) on short-term capital gains arising on the sale of the shares of the Indian company which is subject to STT.

   c. 30% (plus applicable surcharge and Education cess) on short-term capital gains arising on the sale of the shares of the Indian Company which is not subject to STT. In accordance with section 2(14), any securities held by an FII, which has invested in such securities in accordance with the SEBI regulations, are regarded as capital assets.

3. As per Section 10(38), Long-term capital gains (as defined in section 2(29B)) on sale of equity share of a company listed on a recognized stock exchange, would not be taxable, provided STT has been paid on the sale transaction.

4. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in the Bank and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of the amount of income-tax calculated on such short term capital gains at the rate of 15% (plus applicable surcharge and education cess) and the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

   The FII eligible to avail DTAA benefits shall obtain TRC from the Government of the Country of its residence or specified territory containing the prescribed particulars which has been notified by the CBDT through insertion of Rule 21AB in the Income Tax Rules, 1962 and also submit Form 10F (wherever applicable) to avail of the tax benefit.

C.3. Foreign Venture Capital Investor:

1. Income of a FVCI from investments in a Venture Capital Undertaking/ Companies is exempt under section 10(23FB) of the Act.

2. In accordance with section 115-U, any income accruing or received by a person out of investment in venture capital fund or venture capital company shall be chargeable to income tax in the same manner as if it were income accrued or received by such person had he made investment in the venture capital undertaking directly. The income paid by a VCF or VCC shall be deemed to be of the same nature and in the same proportion in the hands of the person receiving it as it had been received by or had accrued or arisen to VCF or VCC as the case may be. The income accruing or arising to or received by a VCF or VCC from investments in a Venture Capital Undertaking shall be deemed to have been credited to the account of such person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income.

   The FVCI eligible to avail DTAA benefits shall obtain TRC from the Government of the Country of its residence or specified territory containing the prescribed particulars which has been notified by the CBDT through insertion of Rule 21AB in the Income Tax Rules, 1962 and also submit Form 10F (wherever applicable) to avail of the tax benefit.

II. Securities Transaction Tax (STT):

1. For Purchaser:

The transaction for purchase of equity shares entered into on a recognized stock exchange and settled by actual delivery or transfer is liable to STT @ 0.1%.

2. For Seller:

The transaction for sale of equity shares entered into on a recognized stock exchange and settled by actual delivery or transfer is liable to STT @ 0.1%. The transaction for sale of equity shares entered into on a recognized stock exchange and not settled by actual delivery or transfer is liable to STT @ 0.025%.

Note:

1. The above statement of possible tax benefits sets out the provisions of the direct tax law in a summary manner only and is not a complete analysis or list of all potential tax consequences of the purchase, ownership and disposal of shares.

2. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefits under any other law.

3. No assurance is given that the Revenue authorities / Courts will concur with the views expressed herein. Our view is based on the existing provisions of law and its interpretation which is subject to change from time to time. We do not assume responsibility to update our view consequent to such changes.

4. The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Issue, and should not be construed as tax advice/opinion. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the local tax laws or nontax laws, any changes in applicable tax laws and any pending or proposed laws or regulations.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary of certain material U.S. federal income consequences of ownership of Equity Shares is based upon laws, regulations, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect as at the date of this Preliminary Placement Document. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Equity Shares. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Equity Shares.

WE INFORM YOU THAT: (A) ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS PRELIMINARY PLACEMENT DOCUMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX PENALTIES UNDER THE CODE; (B) SUCH ADVICE WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS DOCUMENT; AND (C) YOU SHOULD CONSULT YOUR OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO YOU RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF EQUITY SHARES, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS AND NON-U.S. TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

Certain U.S. Federal Income Tax Considerations for U.S. Holders

The following is a summary of certain U.S. federal income tax considerations relating to the acquisition ownership and disposition of Equity Shares by U.S. Holders (as defined below) that hold their Equity Shares as "capital assets" under section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). This summary is based upon the Code, its legislative history, final, temporary and proposed U.S. Treasury regulations promulgated thereunder, published rulings and court decisions as in effect on the date hereof, all of which are subject to change, or changes in interpretation, possibly with retroactive effect.

This summary does not discuss all aspects of U.S. federal income taxation which may be important to particular investors in light of their individual investment circumstances, including, without limitation, investors subject to special tax rules (for example, financial institutions, insurance companies, broker-dealers, partnerships and their partners, and tax-exempt organizations (including private foundations), holders that are not U.S. Holders, investors that will hold Equity Shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes, persons who receive Equity Shares as compensation for the performance of services, persons that own or are deemed to own 10% or more of the Bank's voting stock, persons holding Equity Shares in connection with a trade or business outside the United States, certain U.S. expatriates, "dual resident" corporations, or investors that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address U.S. federal estate, gift or alternative minimum taxes, the U.S. federal unearned Medicare contribution tax, or state, local, or non-U.S. tax considerations. Each holder is urged to consult its tax advisor regarding the U.S. federal, state, local and non-U.S. income, and other tax considerations of its investment in the Equity Shares.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Equity Shares that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation, created in, or organized under the laws of, the United States or any state thereof, or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust, or (B) that has made a valid election to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a "tax transparent" entity for U.S. tax purposes) is the beneficial owner of Equity Shares, the tax treatment of a partner in the partnership (or interest holder in the "tax transparent" entity) will generally depend upon the status of the partner (or interest holder) and the activities of the partnership (or "tax transparent" entity).

Distributions on the Equity Shares

Subject to the discussion below regarding passive foreign investment company ("**PFIC**") treatment, the gross amount of any distribution (without reduction for any tax withheld) we make on the Equity Shares out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will be includible in your gross income as ordinary dividend income when the distribution is actually or constructively received by you. Distributions that exceed our current and accumulated earnings and profits will be treated as a return of capital to you to the extent of your basis in the Equity Shares and thereafter as capital gain. We, however, do not calculate earnings and profits in accordance with U.S. tax principles. Accordingly, all distributions by us to U.S. Holders will generally be treated as dividends. Any dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from U.S. corporations. The amount of any distribution of property other than cash will be the fair market value of such property on the date of such distribution.

The U.S. dollar amount of dividends received by certain non-corporate holders will currently be subject to taxation at a maximum rate of 20.00% if the dividends are "qualified dividends". Dividends will be treated as qualified dividends (a) if certain holding period requirements are satisfied, (b) if we are eligible for benefits under the Convention between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Treaty**"), (c) if the U.S. Internal Revenue Service ("**IRS**") has approved the Treaty for purposes of the qualified dividend rules, and (d) provided that we were not, in the taxable year prior to the year in which the dividend was paid, and are not, in the taxable year in which the dividend is paid, a PFIC. The IRS has approved the Treaty for purposes of the qualified dividend rules. Whether we are eligible for benefits under the Treaty may depend upon whether there is substantial and regular trading in our stock on a recognized stock exchange. As discussed below under "*Passive Foreign Investment Company Rules*", we believe that we did not satisfy the definition for PFIC status for U.S. federal income tax purposes with respect to our most recent taxable year and we do not believe we will be a PFIC for the current taxable year or any future year. However, the determination of PFIC status for non-U.S. banks is uncertain in a number of respects. In addition, the determination of PFIC status is a factual determination that must be made annually at the close of each taxable year and, therefore, there can be no certainty as to our status in this regard until the close of the current or any future taxable year. See the discussion below under "*Passive Foreign Investment Company Rules*". Holders of Equity Shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

The amount of the dividend distribution that a U.S. Holder must include in its income will be the U.S. dollar value of the Indian Rupee payments made, determined at the spot Indian Rupee/U.S. dollar rate on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the U.S. Holder includes the dividend payment in income to the date it converts the payment into U.S. dollars will be treated as ordinary income or loss from U.S. sources. If the dividend is converted into US dollars on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the amount received.

Any dividends paid to a U.S. Holder will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), certain rules will apply in determining the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation. Any dividends distributed by the Bank with respect to Equity Shares will generally constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income". A U.S. Holder will not be able to claim a foreign tax credit for any Indian taxes imposed on the Bank in respect to dividend distributions on Equity Shares. The rules relating to the determination of the foreign tax credit are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available in their particular circumstances.

Sale or Other Taxable Disposition of Equity Shares

Subject to the discussion below under "*Passive Foreign Investment Company Rules*", upon a sale, exchange or other taxable disposition of the Equity Shares, you will generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and your tax basis, determined in U.S. dollars, in such Equity Shares. Generally, gain or loss recognized upon the sale or other taxable disposition of Equity Shares will be capital gain or loss, will be long-term capital gain or loss if the U.S. Holder's holding period for such Equity Shares exceeds one year, and will be income or loss from sources within the United States for foreign tax credit limitation purposes. For non-corporate U.S. Holders, the

U.S. income tax rate applicable to net long-term capital gain currently will not exceed 20.0%. The deductibility of capital losses is subject to significant limitations.

A U.S. Holder that receives foreign currency from a sale or taxable disposition of Equity Shares generally will realize an amount equal to the U.S. dollar value of the foreign currency determined on (i) the date of receipt of payment in the case of a cash basis U.S. Holder and (ii) the date of disposition in the case of an accrual basis U.S. Holder. If Equity Shares are treated as traded on an "established securities market", a cash basis taxpayer or, if it so elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale. A U.S. Holder will have a tax basis in the foreign currency received equal to the U.S. dollar amount realized. Any currency exchange gain or loss realized on a subsequent conversion of the foreign currency into U.S. dollars for a different amount generally will be treated as ordinary income or loss from sources within the United States. However, if such foreign currency is converted into U.S. dollars on the date received by the U.S. Holder, a cash basis or electing accrual basis U.S. Holder should not recognize any gain or loss on such conversion.

Any gain or loss will generally be U.S. source gain or loss for foreign tax credit limitation purposes and as a result of the U.S. foreign tax credit limitation, foreign taxes, if any, imposed upon capital gains in respect of the Equity Shares may not be currently creditable.

Passive Foreign Investment Company Rules

In general, a foreign corporation is a PFIC for any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries:

- 75.0% or more of its gross income consists of passive income; or
- 50.0% or more of the average quarterly value of its gross assets consists of assets that produce, or are held for the production of, passive income.

"Passive income" for this purpose includes, for example, dividends, interest, royalties, rents and gains from commodities and securities transactions. Passive income does not include rents and royalties derived from the active conduct of a trade or business. If we own at least 25.0% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income for purposes of the PFIC income and asset tests.

Section 1297(b)(2)(A) of the Code provides that, to the extent provided in regulations, income derived by a non-U.S. corporation in the active conduct of a banking business is not treated as passive income for purposes of the PFIC rules. Under applicable IRS administrative authority and proposed U.S. Treasury regulations, the determination of whether income is derived in the active conduct of a banking business is based on the regulatory status of the issuer under local laws, the activities of the issuer performed in the ordinary course of a banking business (including lending, accepting deposits and depositing money in other banks) and the proportion of gross income derived from activities that are "bona fide" banking activities for U.S. federal income tax purposes, and securities activities performed in the ordinary course of business (including selling debt instruments to clients in a dealer capacity).

Although not free from doubt, the Bank does not believe it was a PFIC for its most recent taxable year and it does not expect to be a PFIC for the current year or any future years. However, the determination of whether the Bank is a PFIC is a factual determination made annually after the end of each taxable year, and there can be no assurance that the Bank will not be considered a PFIC in the current taxable year or any future taxable year because, among other reasons, (i) the composition of the Bank's income and assets will vary over time, (ii) there can be no assurance that the proposed Treasury regulations will be finalized in their current form, and (iii) the manner of the application of the proposed Treasury regulations and other relevant rules is uncertain in a number of respects. Furthermore, the Bank's PFIC status may depend on the market price of its Equity Shares, which may fluctuate considerably. Prospective purchasers are urged to consult their tax advisors regarding the Bank's possible status as a PFIC.

If we were a PFIC in any year during a U.S. Holder's holding period for the Equity Shares, we would ordinarily continue to be treated as a PFIC for each subsequent year during which the U.S. Holder owned the Equity Shares.

If the Bank were a PFIC for a taxable year during a U.S. Holder's holding period for the Equity Shares, U.S. Holders generally would be subject to additional taxes on any "excess distributions" received from the Bank and on any gain realized from a sale, exchange or other disposition of the Equity Shares. A U.S. Holder would have an excess distribution to the extent that distributions on the Equity Shares during a taxable year exceed 125.0% of the average of the annual distributions received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period). To compute the tax on excess distributions, (i) the excess distribution would be allocated ratably over the U.S. Holder's holding period, (ii) amounts allocated to the current taxable year and any year before the Bank became a PFIC would be taxed as ordinary income in the current year and (iii) amounts allocated to other taxable years would be taxed at the highest applicable marginal rate in effect for each such year (i.e., at ordinary income tax rates) and (iv) an interest charge (at the rate generally applicable to an underpayment of tax) would be imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year described in (iii) above. Gain on the disposition of the Equity Shares will be subject to taxation in the same manner as an excess distribution, described immediately above.

The above results may be eliminated or mitigated if a U.S. Holder in a PFIC timely makes a valid qualified electing fund ("**QEF**") election or a mark-to-market election. In order for a U.S. Holder to make a QEF election, the Bank would be required to provide such U.S. Holder with certain information. As the Bank does not expect to provide U.S. Holders with the required information, prospective investors should assume that a QEF election will not be available. A mark-to-market election is available to a U.S. Holder only if the Equity Shares are considered "marketable stock". Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. A qualified exchange includes a non-U.S. securities exchange that is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations. It is unclear whether the BSE and the NSE would be treated as a "qualified exchange" for these purposes. If the Bank's stock qualifies as "marketable stock", a U.S. Holder who elects mark-to-market treatment will generally include as ordinary income the excess, if any, of the fair market value of the Equity Shares at the end of the taxable year over their adjusted tax basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted tax basis of the Equity Shares, over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a U.S. Holder makes the election, the holder's tax basis in the Equity Shares will be adjusted to reflect the amount of any such income or loss. Any gain or loss recognized on the sale or other disposition of shares in a year in which the Bank is a PFIC will be treated as ordinary income or ordinary loss. The mark-to-market election would be inapplicable to any subsidiaries of the Bank that were PFICs since their shares would not be marketable stock. U.S. Holders should consult their tax advisors regarding the availability and advisability of the mark-to-market election in the event the Bank were determined to be a PFIC.

If we were regarded as a PFIC, a U.S. Holder of Equity Shares generally would be required to file an information return on IRS Form 8621 for any year in which the holder received a direct or indirect distribution with respect to the Equity Shares, recognized gain on a direct or indirect disposition of the Equity Shares, or made an election with respect to the Equity Shares, reporting distributions received and gains realized with respect to the Equity Shares. In addition, if we were regarded as a PFIC, a U.S. Holder would be required to file an annual information return (also on IRS Form 8621) relating to the holder's ownership of the Equity Shares. This requirement would be in addition to other reporting requirements applicable to ownership in a PFIC.

We encourage you to consult your own tax advisor concerning the U.S. federal income tax consequences of holding the Equity Shares that would arise if we were considered a PFIC.

Backup Withholding and Information Reporting

Payments of dividends with respect to the Equity Shares and proceeds from the sale, exchange or other disposition of the Equity Shares, by a U.S. paying agent or other U.S. intermediary, or made into the United States, will be reported to the IRS and to the U.S. Holder as may be required under applicable Treasury regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding and information reporting. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder will be refunded (or credited against such U.S. Holder's U.S. federal income tax liability, if any), provided the required information is furnished to the IRS. Prospective investors should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain individual U.S. Holders (and certain entities) may be required to report to the IRS information with respect to their investment in the Equity Shares not held through an account with a U.S. financial institution. U.S. Holders who fail to report required information could become subject to substantial penalties. U.S. Holders are encouraged to consult with their own tax advisors regarding foreign financial asset reporting requirements with respect to their investment in the Equity Shares.

U.S. Holders who acquire any of the Equity Shares for cash may be required to file an IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) with the IRS and to supply certain additional information to the IRS if (i) immediately after the transfer, the U.S. Holder owns directly or indirectly (or by attribution) at least 10% of the Bank's total voting power or value or (ii) the amount of cash transferred to the Bank in exchange for the Equity Shares when aggregated with all related transfers under applicable regulations exceeds U.S.$100,000. Substantial penalties may be imposed on a U.S. Holder that fails to comply with this reporting requirement. Each U.S. Holder is urged to consult with its own tax advisor regarding this reporting obligation.

STATUTORY AUDITORS

The Bank's Financial Statements have been included in this Preliminary Placement Document. The Financial Statements of the Bank are prepared in accordance with the Indian GAAP as applicable to banks, guidelines issued by the RBI from time to time and practices generally prevailing in the banking industry in India.

The Bank's Financial Statements included in this Preliminary Placement Document were audited and reviewed, as the case may be, by a rotation of auditors approved by the RBI. The independent auditors have issued standard audit opinions or reports, as the case may be, on the Financial Statements.

For details of these auditors, see "***General Information***" beginning on page 269.

LEGAL MATTERS

Certain matters of Indian law with respect to the Equity Shares will be passed upon for the Bank by Shardul Amarchand Mangalas & Co. and for the Book Running Lead Managers by S&R Associates. Certain matters with respect to United States federal securities law will be passed upon for the Book Running Lead Managers by Baker & McKenzie.Wong & Leow.

LEGAL PROCEEDINGS

Our Bank, its Subsidiaries and Joint Venture are involved in various legal proceedings from time to time, including civil proceedings, criminal proceedings, tax proceedings, labour related disputes and actions taken by regulatory authorities. Our Bank believes that the number of proceedings and disputes in which our Bank, its Subsidiaries and Joint Venture are involved is not unusual for a bank of our size doing business in India and in international markets. These proceedings involving our Bank, its Subsidiaries and Joint Venture are primarily in the nature of (i) recovery proceedings initiated by us to recover pending dues from our customers against advances made by our Bank, pending before civil courts or debts recovery tribunals, as the case may be, (ii) claims by customers against our Bank in relation to alleged erroneous or unauthorized debit from customer accounts, wrongful credit or dishonor of cheques, (iii) labour-related proceedings against our Bank; (iv) taxation related proceedings and (v) actions taken by regulatory and statutory authorities against our Bank. Further, certain regulatory and statutory authorities such as the Reserve Bank of India, the banking ombudsman and the various tax authorities have taken action and imposed penalties against our Bank, its Subsidiaries and Joint Venture, including, during routine inspections undertaken in the ordinary course of business.

Except as disclosed below, there are no outstanding legal proceedings or investigations initiated against our Bank its Subsidiaries and Joint Venture, which are: (i) civil and taxation-related proceedings, which are quantifiable and exceed ₹ 11.87 crores (being 1% of the consolidated profit after tax for Financial Year 2017); or (ii) notices, investigations and actions by regulatory or statutory authorities; or (iii) any other proceedings, which our Bank believes could have a material adverse effect on the business, financial condition, profitability, prospects, reputation or results of operations of our Bank on a consolidated basis, including, among others, any claims pertaining to a violation of sanctions, money laundering, bribery laws or fraud. There are currently no criminal proceedings against our Bank, its Subsidiaries and Joint Venture.

I. Litigation involving the Bank

A. Civil Cases above materiality threshold against the Bank

i. Karnataka Industrial Areas Development Board, Bengaluru ("**KIADB**") has filed a suit dated January 10, 2014 ("**Suit**") against our Bank before the City Civil Judge, Bangalore for recovery of an amount of ₹ 16.69 crores including an amount of ₹ 3.34 crores as interest. KIADB has alleged that it had made a fixed deposit amounting to ₹ 25.00 crores with our Bank at its branch located at Rajajinagar, Bangalore, pursuant to which it was entitled to receive an amount of ₹ 27.53 crores upon the maturity of the fixed deposit. KIADB has further alleged that our Bank had wrongly transferred an amount of ₹ 12.00 crores out of the fixed deposit account before the maturity date of the fixed deposit, without any prior authorization or instruction from KIADB. Accordingly, KIADB has sought repayment of such amount along with an amount of ₹ 1.36 crores remaining unpaid. Our Bank has filed a written statement dated August 19, 2014, denying the allegations made by KIADB on the grounds, *inter alia*, that (i) the Bank has already paid the entire amount of ₹ 25.00 crores along with interest to KIADB and (ii) the amount was transferred as per the instructions of KIADB. The matter is currently pending.

ii. Malayan Banking Berhad ("**MBB**") has filed a statement of claim dated January 24, 2014 against our Bank in the High Court of Malaya in Kuala Lumpur ("**High Court of Malaya**") claiming reimbursement of an amount USD 1.98 million along with interest at 5% per annum till date of full payment, in terms of a letter of credit dated November 18, 2011 ("**LC**") issued by our Bank in favour of SIMS Copper Sdn Bhd ("**Beneficiary**"). MBB has alleged, that it had made payments amounting to USD 1.98 million to the Beneficiary relying on the LC, whereby our Bank had undertaken to reimburse MBB for any payments made to the Beneficiary under the LC. Subsequently, the High Court of Malaya, vide its order dated March 5, 2015 ("**Order**"), decided that the courts of Malaysia had jurisdiction to adjudicate the matter. Our Bank had filed an appeal before the Court of Appeal of Malaysia, challenging the Order on the grounds of lack of jurisdiction and forum non conveniens. The Court of Appeal of Malaysia, vide its order dated October 26, 2015 allowed our appeal and set aside the Order. Meanwhile, our Bank had also filed a civil suit dated April 27, 2015 in the High Court of Delhi praying, *inter alia*, for a decree against MBB directing it to withdraw and discontinue the suit filed in High Court of Malaya and restraining MBB from recovering any payment from our Bank, arising out of the LC. The High Court of Delhi had issued an injunction pursuant to order dated May 27, 2015 restraining MBB from carrying out any further proceedings in the suit in Malaysia. Further, pursuant to valuation of the suit filed by our Bank, the matter was transferred to the Saket District Court by an order dated December 3, 2015, where it is currently pending.

iii. Zoom Developers Private Limited ("**Zoom**") has filed a civil suit against a consortium of banks headed by our Bank. As part of the consortium, a number of credit facilities were advanced by our Bank to Zoom over a period of many years between June, 1997 and March, 2006. After the global financial crisis of 2008, the business of Zoom suffered and it faced severe losses. Due to the financial status of Zoom, the consortium refused to advance further credit facilities to Zoom and referred Zoom's account to CDR. The banks had agreed to infuse capital into Zoom but later refused to sanction any amounts and withdrew from the CDR scheme. Thereafter, Zoom filed a civil suit against the consortium claiming an aggregate of ₹ 10,920 crores as damages, along with interest at the rate of 18% per annum from the date of filing of the suit till full payment, due to negligence and inaction of the banks, loss of estimated future profits and loss of goodwill. Our Bank has filed a written statement alleging that Zoom had deliberately concealed certain provisions of certain material agreements at the time of the grant of credit facilities and that there was diversion of funds. The matter is currently pending.

B. Taxation cases above materiality threshold against the Bank

i. Under regular assessments for the assessment years 2006-2007, 2007-2008 and 2008-2009, the Additional Commissioner of Income Tax ("**CIT**"), had considered the statutory contribution by our Bank to the pension fund amounting to an aggregate of as ₹ 673.50 crores for the three years as a fringe benefit provided by our Bank to its employees in terms of section 115 WB (1) of the Income Tax Act, 1961 ("**IT Act**") and thereby determined the aggregate value of fringe benefits at ₹ 763.25 crores as against ₹ 89.75 crores (being the aggregate total fringe benefit declared by the Bank in its returns in the relevant assessment years). Our Bank filed appeals against the relevant assessment orders before the Commissioner of Income Tax, Appeals, XVII, New Delhi ("**CITA**"). The CITA, vide separate orders dated September 15, 2009, January 31, 2011 and July 25, 2011 respectively, upheld the view taken by CIT and rejected the contention of our Bank that the contribution to the pension fund was a statutory liability and should therefore not be considered for valuation of fringe benefit. Our Bank filed appeals against orders passed by the CITA before the Income Tax Appellate Tribunal, Delhi Bench, New Delhi ("**ITAT**"). The ITAT, vide its order dated June 15, 2016 allowed our appeals and directed the CIT to allow our claim and not consider the contribution to the pension fund as a fringe benefit provided to our employees. Aggrieved by the aforesaid order the income tax department has filed appeal before the High Court of Delhi. The matter is pending for hearing as on date. The aggregate tax implication is ₹ 286.00 crores as at as on the date of this Preliminary Placement Document.

ii. Under regular assessment for the assessment year 2006-2007, the CIT passed assessment orders, *inter alia*, (a) disallowing depreciation on investments; (b) disallowing loss on revaluation of investments; (c) making addition on account of recovery in written off accounts; (d) disallowing contribution to PNB Employees Pension Fund Trust; (e) making addition on capital expenditure debited to revenue; and (f) making addition on extra depreciation claimed on goodwill. Our Bank filed appeal against the relevant assessment order before the CITA. The CITA vide its order dated June 14, 2010 allowed our appeal partly and deleted certain of the disallowances and additions made by the CIT. Aggrieved by the order of the CITA, the Assistant Commissioner of Income Tax has filed an appeal before the ITAT. The tax implication is ₹ 576.00 crores as on the date of this Preliminary Placement Document. Our Bank has also filed an appeal against the disallowances and additions that were not deleted by the CITA. The tax implication in the matter is ₹ 36.07 crores as on the date of this Preliminary Placement Document. Both these matters are currently pending before the ITAT.

iii. Under regular assessment for the assessment year 2007-2008, the CIT passed assessment order, *inter alia*, (a) disallowing business loss arising out of conversion of securities from available for sale to held to maturity category; (b) disallowing loss on revaluation of investments; (c) disallowing contribution to PNB Employees Pension Fund Trust; (d) disallowing depreciation on goodwill; (e) disallowing the claim of securities transaction tax paid by the Bank on its investment activities. Our Bank filed an appeal against the assessment order before the CITA. The CITA vide its order dated February 28, 2011 allowed our appeal partly. Aggrieved by the order of the CITA, the Assistant Commissioner of Income Tax has filed an appeal dated May 13, 2011 before the ITAT, where the matter is pending as on date. The tax implication is ₹ 424.00 crores as on the date of this Preliminary Placement Document.

iv. Under regular assessment for the assessment year 2008-2009, the CIT passed assessment order, *inter alia*, (a) making addition on account of depreciation on securities held under available for sale and held for trading category; (b) making addition of loss on revaluation of investments held under held-to-maturity category; (c) disallowing contribution to PNB Employees Pension Fund Trust; (d) disallowing depreciation on goodwill. Our Bank filed appeal against the assessment order before the CITA. The CITA order allowed our appeal partly. Aggrieved by the order of the CITA, the Assistant Commissioner of Income Tax has filed an appeal before the ITAT. The tax implication is ₹ 466.00 crores as on the date of this Preliminary Placement Document. Our Bank has also filed an appeal against this order before the ITAT for which the tax implication is ₹ 28.94 crores as on the date of this Preliminary Placement Document. Both these matters are currently pending before the ITAT.

v. Under regular assessment for the assessment year 2009-2010, the CIT passed assessment order, *inter alia*, (a) making addition on account of loss of revaluation of investment held under held to maturity category; (b) making addition on account of depreciation on shifting of securities held under available for sale or held for trading category to held to maturity category; (c) disallowing contribution to PNB Employees Pension Fund Trust; (d) disallowing depreciation on goodwill. Our Bank filed appeal against the assessment order before the CITA. The CITA allowed our appeal partly vide its orders dated February 22, 2013 and deleted certain of the disallowances and additions made by the CIT. Aggrieved by the order of the CITA, the Deputy Commissioner of Income Tax has filed an appeal before the ITAT, where the matter is pending as on date. The aggregate tax implication is ₹ 254.00 crores as on the date of this Preliminary Placement Document.

vi. Under regular assessment for the assessment year 2010-2011, the CIT passed assessment order, *inter alia*, (a) making addition on account of loss of revaluation of investment held under held to maturity category; (b) allowing set off of loss incurred by Bank; (c) disallowing contribution to PNB pension fund; (d) disallowing depreciation on goodwill. Our Bank filed appeal against the assessment order before the CITA. The CITA allowed our appeal partly vide its order dated February 18, 2014 and deleted certain of the disallowances and additions made by the CIT. Aggrieved by the order of the CITA, the Deputy Commissioner of Income Tax has filed an appeal before the ITAT, where the matter is pending as on date. The aggregate tax implication is ₹ 374.00 crores as on the date of this Preliminary Placement Document.

vii. Under regular assessment for the assessment year 2011-2012, the CIT passed assessment orders, *inter alia*, (a) making addition on account of loss of revaluation of investment held under held-to-maturity category; (b) making addition on account of depreciation of securities held under available for sale category; (c) disallowing contribution to PNB pension fund; (d) disallowing depreciation on goodwill; (e) disallowing depreciation/loss on investments following the decision for assessment years 2009-2010 and 2010-2011. Our Bank filed appeal against the assessment order before the CITA. The CITA allowed our appeal partly vide its order dated July 27, 2014 and deleted certain of the disallowances and additions made by the CIT. Aggrieved by the order of the CITA, the Deputy Commissioner of Income Tax has filed an appeal before the ITAT, where the matter is pending as on date. The aggregate tax implication is ₹ 420.00 crores as on the date of this Preliminary Placement Document.

viii. Under regular assessment for the assessment year 2004-2005, the Deputy Commissioner of Income Tax passed assessment orders levying penalty on our Bank under Section 271(1)(c) of the IT Act on grounds of furnishing inaccurate particulars of income. Our Bank filed appeal against the relevant assessment order before the CITA. The CITA vide its order dated October 19, 2009 allowed our appeal partly and accepted certain of the disallowances and additions made by the Deputy Commissioner of Income Tax. Aggrieved by the order of the CITA, our Bank has filed an appeal before the ITAT, where the matter is pending as on date. The tax implication is ₹ 15.54 crores as on the date of this Preliminary Placement Document.

ix. Our Bank had received show cause notices ("**SCN**") from the Commissioner of Service Tax, Mumbai for the period 2012-2013 and 2013-2014 and from Additional Director General of Directorate General of Central Excise Intelligence ("**DGCEI**"), Bangalore for the period of April 2012 to September 2013, asking the Bank to show cause as to why the amount of CENVAT credit on service tax availed by the Bank in relation to the deposit insurance premium paid to the Deposit Insurance and Credit Guarantee Corporation ("**DICGC**") should not be demanded from our Bank. Our Bank had filed a reply with the Commissioner of Service Tax, who vide order dated March 31, 2016 confirmed the service tax demand as proposed in the SCN. Aggrieved by this order, our Bank has filed appeals dated July 8, 2016 before the Customs, Excise and Service Tax Appellate Tribunal, Mumbai ("**CESTAT**"), where the matter is currently pending. The aggregate tax implication is ₹ 36.09 crores as on the date of this Preliminary Placement Document.

C. Notices and actions by regulatory authorities

i. RBI had issued a show-cause notice dated April 18, 2016 to the Bank alleging certain advance import remittance related irregularities, including, *inter alia,* irregularities in getting declarations from account holders about having no credit facility with other banks, risk categorization of customers, customer identification, failure in reporting of suspicious transaction reports, lapses of guidelines for import of goods and services. Pursuant to its speaking order the RBI had imposed an aggregate penalty of ₹ 3.00 crores on our Bank.

ii. RBI had issued a letter dated April 3, 2017 to the Bank alleging bouncing of subsidiary general ledger and imposing a penalty of ₹ 1.00 lakh on the Bank.

iii. The RBI, during its routine inspections of our branch offices, has imposed penalties and fines on our Bank for various non-compliances and deficiencies including, *inter alia,* shortage and irregularities of remittances, failure to provide facility for exchange of soiled/mutilated notes, remittance of counterfeit currency and deficiency in treasury operations due to SGL bouncing. The cumulative amount of penalties imposed by the RBI for Fiscal 2017 is ₹ 3.01 crores. Further, the cumulative amount of penalties imposed by the RBI in the six months period ended September 30, 2017 is ₹ 1.30 lakh.

iv. The banking ombudsman has imposed fines and penalties on our Bank based on complaints received from our customers alleging, *inter alia,* failure by our Bank to dispense amount from ATMs, fraudulent debit of accounts, failure to provide interest subsidy loan facilities availed of by persons belonging to economically weaker sections and discrepancies in remittances. The cumulative amount of penalties imposed by the banking ombudsman for Fiscal 2017 is ₹ 8.30 lakhs. Further, the cumulative amount of penalties imposed by the banking ombudsman in the six months period ended September 30, 2017 is ₹ 2.00 lakhs.

II. Litigation involving the Subsidiaries

i. SEBI had issued a warning letter dated August 22, 2013, against our Subsidiary, PNB Investment Services Limited in relation to certain discrepancies found upon inspection of the books and records of the subsidiary. PNB Investment Services Limited had intimated the SEBI regarding the actions taken to rectify some of the discrepancies. As on the date of this Preliminary Placement Document, no further response has been received from the SEBI on the matter.

GENERAL INFORMATION

1. The Bank was constituted under the Banking Companies Act as Punjab National Bank on July 19, 1969. On April 13, 1987, the head office of our Bank was changed from 5, Sansad Marg, New Delhi 110 001 to 7, Bhikaji Cama Place, New Delhi 110 066. Subsequently, on November 6, 2017, the Head Office of our Bank was changed to its current location situated at Plot No.4, Sector 10, Dwarka, New Delhi 110 075.

2. The Bank's outstanding Equity Shares are listed on BSE and NSE.

3. The Bank has obtained in-principle approvals under Regulation 28(1) of the SEBI Listing Regulations for listing of the Equity Shares from BSE and NSE on December 11, 2017.

4. The Issue was authorised and approved by our Board by way of their resolutions dated September 27, 2017 and by the shareholders of the Bank by way of their special resolutions dated December 4, 2017.

5. The Bank has also obtained the necessary consents, approvals and authorisations required in connection with the Issue, including the approval from the Department of Financial Services, the MoF dated December 5, 2017 and RBI dated November 22, 2017.

6. Except as disclosed in this Preliminary Placement Document, there are no significant changes in the financial or trading position of the Bank since March 31, 2017, the date of the latest audited Financial Statements.

7. Except as disclosed in this Preliminary Placement Document, there are no material litigation or arbitration proceedings against or affecting the Bank or its Subsidiaries or Joint Venture or their assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of the Issue of the Equity Shares.

8. The Bank's consolidated financial statements as at and for the year ended March 31, 2017, have been audited by our current statutory auditors Chhajed & Doshi, Chartered Accountants; R Devendra Kumar & Associates, Chartered Accountants; Hem Sandeep & Co., Chartered Accountants; Suri & Co., Chartered Accountants; and SPMG & Co., Chartered Accountants. The Bank's consolidated financial statements as at and for the year ended March 31, 2016, have been audited by Shah Gupta & Co., Chartered Accountants; Chhajed & Doshi, Chartered Accountants; R Devendra Kumar & Associates, Chartered Accountants; Hem Sandeep & Co., Chartered Accountants; Suri & Co., Chartered Accountants; and SPMG & Co., Chartered Accountants. The Bank's consolidated financial statements as at and for the year ended March 31, 2015, have been audited by K N Gutgutia & Co., Chartered Accountants; CVK & Associates, Chartered Accountants; Ramesh Kapoor & Co., Chartered Accountants; Chhajed & Doshi, Chartered Accountants; R Devendra Kumar & Associates, Chartered Accountants; and Hem Sandeep & Co., Chartered Accountants. The Financial Statements of the Bank have been included in this Preliminary Placement Document.

   The limited reviewed unaudited condensed standalone financial statements of the Bank as at and for the six month periods ended September 30, 2017 and September 30, 2016 have been reviewed by our current statutory auditors Chhajed & Doshi, Chartered Accountants; R Devendra Kumar & Associates, Chartered Accountants; Hem Sandeep & Co., Chartered Accountants; Suri & Co., Chartered Accountants; and SPMG & Co., Chartered Accountants in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the ICAI.

9. The Bank confirms that it is in compliance with the minimum public shareholding requirements as specified under the SCRR and required under the provisions of Regulation 38 of the SEBI Listing Regulations.

10. The Floor Price for the Issue is ₹ 176.35 per Equity Share on December 11, 2017 as the Relevant Date. The Floor price has been calculated as per Regulation 85 of the SEBI ICDR Regulations.

11. The Bank may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.

FINANCIAL STATEMENTS

CHHAJED & DOSHI CHARTERED ACCOUNTANTS	R. DEVENDRA KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS	HEM SANDEEP & CO. CHARTERED ACCOUNTANTS
SURI & CO. CHARTERED ACCOUNTANTS	SPMG & CO. CHARTERED ACCOUNTANTS	

"LIMITED REVIEW REPORT"

To

The Board of Directors,

Punjab National Bank

New Delhi

1. We have reviewed the accompanying unaudited Condensed Standalone Balance Sheet of **Punjab National Bank** (the "Bank") as on September 30, 2017 and the related unaudited condensed Standalone Profit & Loss account and condensed cash flow statement for the six month period then ended, and a summary of significant accounting policies and select explanatory notes (**Interim Financial Information**), prepared in connection with the private placement offerings of the Bank to Qualified Institutional Buyers(QIBs). The management of the Bank is responsible for the preparation and fair presentation of this interim financial information in accordance with Accounting Standard -25 issued by the Institute of Chartered Accountants of India. Our responsibility is to express a conclusion on this interim financial information based on our review.

2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to making inquiries of the Bank personnel and applying analytical and other review procedures to financial data and thus provides less assurance than an audit. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. In the conduct of our review, we have reviewed the returns of 21 branches. We have relied on the review reports in respect of non-performing assets received from external concurrent auditors (including retired employees of the Bank) of 623branches, in-house concurrent auditors of 965branches and returns of 1 foreign branch reviewed by audit firm operating at that centre. These review reports cover 81.06% of the advances portfolio of the bank (excluding the advances of asset recovery branches and outstanding food credit) as at September30, 2017. Apart from these review reports, in the conduct of our review, we have also relied upon various information and returns received from un-reviewed branches/other offices of the Bank and generated through centralized database at the Bank's Head Office.

4. Based on our review as aforesaid, subject to limitation in scope as mentioned in Para 2 and 3 above, nothing has come to our attention that causes us to believe that the accompanying unaudited interim financial information, prepared in accordance with applicable accounting standards and other recognized accounting practices and policies, does not give a true and fair view in all material respects of the state of affairs of the Bank as at September 30, 2017 and of its results of operations and its cash flows for the six month period then ended, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

FOR CHHAJED & DOSHI
CHARTERED ACCOUNTANTS
FRN 101794W

CA KIRAN K. DAFTARY
PARTNER
(M.NO. 010279)

FOR R. DEVENDRA KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN 114207W

CA NEERAJ GOLAS
PARTNER
(M.NO.074392)

FOR HEM SANDEEP & CO.
CHARTERED ACCOUNTANTS
FRN 009907N

CA SANDEEP JAIN
PARTNER
(M.NO.087977)

FOR SURI & CO.
CHARTERED ACCOUNTANTS
FRN004283S

CA R. MAHESH
PARTNER
(M.NO. 024775)

FOR SPMG & CO.
CHARTERED ACCOUNTANTS
FRN 509249C

Avadesh Gupta

CA AVADESH GUPTA
PARTNER
(M.NO.516769)

Place: New Delhi
Date: December 4, 2017

PUNJAB NATIONAL BANK

CONDENSED BALANCE SHEET AS ON 30th SEPTEMBER, 2017

(₹000 omitted)

CAPITAL & LIABILITIES	Schedule	As on 30.09.17	As on 30.09.16
Capital	1	4255937	4255937
Reserves & Surplus	2	433482792	420968147
Deposits	3	6362083495	5748841166
Borrowings	4	363495771	368047173
Other Liabilities and Provisions	5	157837345	159349026
	TOTAL	**7321155340**	**6701461449**
ASSETS			
Cash & Balances with Reserve Bank of India	6	264918925	238190712
Balances with Banks & Money at call & short notice	7	557790117	560420361
Investments	8	2105705199	1715137265
Advances	9	4102656299	3937309221
Fixed Assets	10	64559235	61537901
Other Assets	11	225525565	188865989
	TOTAL	**7321155340**	**6701461449**
Contingent Liabilities	12	3413972657	3448245998
Bills for Collection		261359111	221250835
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules 1 to 18 form an integral part of the Accounts.

P K VARSHNEY
CHIEF MANAGER

S K JAIN
DY. GENERAL MANAGER

P K SHARMA
GENERAL MANAGER

MAHESH BABOO GUPTA
DIRECTOR

SUDHIR NAYAR
DIRECTOR

21/4/1/9

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

SUNIL MEHTA
MANAGING DIRECTOR & C.E.O.

As per our Report of even date

For Chhajed & Doshi
Chartered Accountants
FRN 101794W
(Kiran K Daftary)
Partner
M No.010279

For R Devendra Kumar & Associates
Chartered Accountants
FRN 114207W
(Neeraj Golas)
Partner
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For Hem Sandeep & Co.
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(Sandeep Jain)
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For Suri & Co.
Chartered Accountants
FRN 004283S
(R Mahesh)
Partner
M No. 024775

For SPMG & Co.
Chartered Accountants
FRN 509249C
Avadesh Gupta
(Avadesh Gupta)
Partner
M No. 516769

Date : 04.12.2017
Place: New Delhi

PUNJAB NATIONAL BANK

CONDENSED PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED 30th SEPTEMBER, 2017

(₹000 omitted)

	Schedule	Half-Year Ended 30.09.2017	Half-Year Ended 30.09.2016
I. INCOME			
Interest earned	13	244356561	234052974
Other Income	14	42377914	37087539
TOTAL		**286734475**	**271140513**
II. EXPENDITURE			
Interest expended	15	165653399	158264530
Operating expenses	16	56117169	57351516
Provisions and Contingencies		55924060	46967218
TOTAL		**277694628**	**262583264**
III. PROFIT			
Net Profit for the period		**9039847**	**8557249**
Add: Balance in Profit & Loss A/c		0	0
Profit Available for Appropriation		**9039847**	**8557249**
IV. APPROPRIATIONS			
Transfer to :			
Revenue & Other Reserves			
Balance in Profit & Loss Account		9039847	8557249
TOTAL		**9039847**	**8557249**
Earning per Share (₹) (Basic/Diluted)		**4.25**	**4.32**

Significant Accounting Policies 17

Notes on Accounts 18

P K VARSHNEY
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S K JAIN
DY. GENERAL MANAGER

P K SHARMA
GENERAL MANAGER

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DIRECTOR

Sudhir Nayar

SUDHIR NAYAR
DIRECTOR

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MANAGING DIRECTOR & C.E.O.

As per our Report of even date

For Chhajed & Doshi
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Partner
M No. 024775

For SPMG & Co.
Chartered Accountants
FRN 509249C
Avadesh Gupta
(Avadesh Gupta)
Partner
M No. 516769

Date : 04.12.2017
Place: New Delhi

PUNJAB NATIONAL BANK

(₹000 omitted)

SCHEDULE 1 - CAPITAL

	As on 30.09.17	As on 30.09.16
Authorised		
15,00,00,00,000 Equity Shares of ₹ 2 each	30000000	30000000
Issued & Subscribed 212,79,68,258 (Previous year 196,35,97,490) Equity shares of ₹ 2 each	4255937	4255937
Paid Up 212,79,68,258 (Previous year 196,35,97,490) Equity shares of ₹ 2 each	4255937	4255937
(includes equity shares of 1,38,34,59,223 ₹2 each held by Central Government)		
TOTAL	4255937	4255937

SCHEDULE 2 - RESERVES & SURPLUS

		As on 30.09.17		As on 30.09.16
I. Statutory Reserves				
Opening Balance	99982512		96670507	
Addition during the year	0		0	
		99982512		96670507
II. Capital Reserves				
a) **Revaluation Reserve**				
Opening Balance	37505311		28447781	
Addition during the year	0		9642471	
Deduction during the year (being depreciation on revalued portion of property)	314220		275227	
		37191091		37815025
b) **Others**				
Opening Balance	18523619		13386581	
Addition during the year	0		0	
		18523619		13386581
III. Share Premium				
Opening Balance	107920431		87129172	
Addition during the year	0		20791259	
Deduction during the year	0		0	
		107920431		107920431
IV. Revenue and other Reserves				
a) **Investment Reserve**				
Opening Balance	3705193		3705193	
Add :Transfer from P&L Appropriation A/c	0		0	
Less:Transfer to P&L Appropriation A/c	0		0	
		3705193		3705193
b) **Exchange Fluctuation Reserve**				
Opening Balance	3426421		3606053	
Add :Addition during the year	190231		114259	
Less:Deduction during the year (Net)	0			
		3616652		3720312
c) **Special Reserve under Sec.36(1) (viii) of Income Tax Act, 1961**				
Opening Balance	14636600		11936600	
Transferred from Other Reserves				
Addition during the year	0	14636600	0	11936600
d) **Other Reserve**				
Opening Balance	131018624		137256249	
Addition during the year	7848223		0	
Less: Withdrawal during the year	0		0	
Less: Payment for blocked accounts	0		0	
		138866847		137256249
V. Balance in Profit & Loss Account		9039847		8557249
Total of I, II, III, IV,V		433482792		420968147

PUNJAB NATIONAL BANK

(₹000 omitted)

SCHEDULE 3 - DEPOSITS

		As on 30.09.17		As on 30.09.16
I. Demand Deposits				
(i) From Banks	18069642		16907980	
(ii) From Others	372501862		343858484	
		390571504		**360766464**
II. Savings Bank Deposits		**2177981492**		**1801474724**
III. Term Deposits				
A. (i) From Banks	628365097		660589762	
(ii) From Others	3165165402		2926010216	
		3793530499		**3586599978**
Total I, II & III		**6362083495**		**5748841166**
B. (i) Deposits of branches in India		5787395583		5135444471
(ii) Deposits of branches outside India		574687912		613396695
TOTAL B (i) & (ii)		**6362083495**		**5748841166**

SCHEDULE 4 - BORROWINGS

		As on 30.09.17		As on 30.09.16
I. Borrowings in India				
(i) Reserve Bank of India		0		0
(ii) Other Banks		6171332		2412905
(iii) Other Institutions and Agencies		21319002		35723893
(iv) **Unsecured Redeemable Bonds**				
a) Tier-I Bonds (Perpetual Debt Instruments)	67705000		35205000	
b) Upper Tier-II Bonds	66100000		66100000	
c) Subordinate debts for Tier II Capital	45000000		50000000	
d) Long term infrastructure bonds	28000000	**206805000**	28000000	**179305000**
II. Borrowings outside India		129200437		150605375
Total of I, II		**363495771**		**368047173**
Secured Borrowings included in I & II above		0		0

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

G. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

SURI & CO. Chennai 004283 S Chartered Accountants

SPMG & COMPANY New Delhi 509249 C Chartered Accountants

पंजाब नैशनल बैंक वित्त प्रभाग

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹000 omitted)

		As on 30.09.17	As on 30.09.16
I.	Bills Payable	21058696	22612631
II.	Inter-Office adjustments(net)	35831	59183
III.	Interest accrued	19162016	25815399
IV.	Deferred Tax Liability (Net)	0	0
V.	Others (including Provisions)	117580802	110861812
	Total of I, II, III, IV, V	**157837345**	**159349026**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

		As on 30.09.17	As on 30.09.16
I.	**Cash in hand (including foreign currency notes)**	21971843	17416023
II.	**Balance with Reserve Bank of India**		
	In Current Account	242947082	220774689
	In other Account	0	0
	Total of I, II	**264918925**	**238190712**

CHHAJED & DOSHI MUMBAI 101794W Chartered Accountants

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PUNJAB NATIONAL BANK

SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

(₹000 omitted)

	As on 30.09.17		As on 30.09.16	
I. In India				
(i) Balances with Banks				
a) In Current Accounts	3513294		7286095	
b) In Other Deposit Accounts	101043188		70268495	
		104556482		**77554590**
(ii) Money at Call and Short Notice				
a) with Banks	0		1000000	
b) with Other Institutions	50000000	**50000000**	86000000	**87000000**
TOTAL		**154556482**		**164554590**
II. Outside India				
(i) Balances with Banks				
a) In Current Accounts	11407000		64117851	
b) In Other Deposit Accounts	391826635		325047920	
(ii) Money at Call & Short Notice	0		6700000	
TOTAL		**403233635**		**395865771**
GRAND TOTAL of I, II		**557790117**		**560420361**

PUNJAB NATIONAL BANK

SCHEDULE 8 - INVESTMENTS

(₹000 omitted)

	As on 30.09.17	As on 30.09.16
I. **Investments in India : Gross**	2053826744	1673104443
Less: Provision for Depreciation	14043873	10771632
Net Investment in India	**2039782871**	**1662332811**
(i) Government Securities	1562777492	1337044227
(ii) Other Approved Securities	1883020	1883020
(iii) Shares	48903345	45948642
(iv) Debentures and Bonds	327261476	227944924
(v) Subsidiaries and/or joint ventures (including sponsored institutions)	7532699	7532699
(vi) Others Various Mutual Funds & Commercial Papers etc.	91424839	41979299
TOTAL of I	**2039782871**	**1662332811**
II. **Investments Outside India : Gross**	65922328	52804454
Less: Provision for depreciation	0	0
Net Investments outside India	**65922328**	**52804454**
(i) Govt. securities including local authorities	15003903	15409797
(ii) Subsidiary and / or Joint ventures abroad	23301710	15516110
(iii) Others	27616715	21878547
TOTAL of II	**65922328**	**52804454**
GRAND TOTAL of I, II	**2105705199**	**1715137265**

CHHAJED & DOSHI MUMBAI 101794W Chartered Accountants

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PUNJAB NATIONAL BANK

SCHEDULE 9 - ADVANCES

(₹000 omitted)

	As on 30.09.17	As on 30.09.16
A (i) Bills purchased and discounted	250676352	304585131
(ii) Cash Credits, Overdrafts & Loans repayable on demand	2449562081	2254307258
(iii) Term Loans	1402417866	1378416832
Total	**4102656299**	**3937309221**
B (i) Secured by tangible assets (Includes advances against Book Debts)	3558780237	3596765226
(ii) Covered by Bank/Government guarantees	115291446	129217416
(iii) Unsecured	428584616	211326579
Total	**4102656299**	**3937309221**
C (I) Advances in India		
(i) Priority Sector	1331454572	1358033910
(ii) Public Sector	200378500	93962579
(iii) Banks	16422	8229
(iv) Others	2150771320	1952089370
Total	**3682620814**	**3404094088**
C(II) Advances outside India		
(i) Due from Banks	300613904	292511330
(ii) **Due from Others**		
(a) Bills Purchased & Discounted	4268374	4257805
(b) Syndicated Loan	42191481	15306873
(c) Others	72961727	221139125
Total	**420035485**	**533215133**
GRAND TOTAL (Total of I & II)	**4102656299**	**3937309221**

CHHAJED & DOSHI MUMBAI 101794W Chartered Accountants

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PUNJAB NATIONAL BANK

SCHEDULE 10 - FIXED ASSETS

(₹000 omitted)

	As on 30.09.17		As on 30.09.16	
A TANGIBLE ASSETS				
I. Premises				
At cost / valuation as on 31st March of the preceding year	55392803		45097669	
Add: Revaluation during the year	0		9642471	
Addition during the period	927926		398735	
	56320729		**55138875**	
Deduction during the period	0		0	
Less: Adjustment during the period	0		773014	
	56320729		**54365861**	
Depreciation to date (Including on revalued amount)	5444168	**50876561**	4691918	**49673943**
II. Other Fixed Assets (Including Furniture & Fixtures)				
At cost as on 31st March of the preceding year	40822916		36915069	
Addition during the period	3193422		2265852	
	44016338		**39180921**	
Deduction during the period	0		0	
	44016338		**39180921**	
Depreciation to date	31384455	**12631883**	28147400	**11033521**
III Leased Assets				
At cost as on 31st March of the preceding year	252386		252386	
	252386		**252386**	
Addition/adjustment during the period	0		0	
Deduction during the period	0		0	
	252386		**252386**	
Amortisation / lease adjustment to date	252386	**0**	252386	**0**
Total of I, II, III		**63508444**		**60707464**
B INTANGIBLE ASSETS				
Computer Software				
At cost as on 31st March of the preceding year	3806408		3663449	
Addition during the period	525426		59577	
	4331834		**3723026**	
Deduction during the period	0		0	
	4331834		**3723026**	
Amortised to date	3281043		2892589	
Total		**1050791**		**830437**
GRAND TOTAL (A+B)		**64559235**		**61537901**

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

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SCHEDULE 11 - OTHER ASSETS

(₹000 omitted)

	As on 30.09.17	As on 30.09.16
I. Interest accrued	69319755	62705557
II. Tax paid in advance / tax deducted at source	1764484	11195490
III. Stationery and stamps	112983	111666
IV. Non-banking assets acquired in satisfaction of claims	1120191	1101099
V. Deferred tax asset (net)	66312820	50074853
VI. Others	86895332	63677324
Total of I, II, III, IV, V, VI	**225525565**	**188865989**

SCHEDULE 12 - CONTINGENT LIABILITIES

	As on 30.09.17	As on 30.09.16
I (i) Claims against the Bank not acknowledged as debts	2978849	2392830
(ii) Disputed income tax and interest tax demands under appeals, references,etc.	63078	8695320
II. Liability for partly paid investments	145815	115
III. Liability on account of outstanding forward exchange contracts	2552555859	2646938590
IV. Guarantees given on behalf of constituents:		
(a) In India	383797314	351779867
(b) Outside India	153686690	130086488
V. Acceptances, endorsements and other obligations	305533569	296968404
VI. Other items for which the Bank is contingently liable	15211483	11384384
Total of I, II, III, IV, V, VI	**3413972657**	**3448245998**

SCHEDULE 13 - INTEREST EARNED (₹000 omitted)

		Half-Year Ended 30.09.2017	Half-Year Ended 30.09.2016
I.	Interest/discount on advances/bills	162030036	169771379
II.	Income on Investments	69306244	56945195
III.	Interest on balances with Reserve Bank of India and other Inter-Bank funds	11738605	4888668
IV.	Others	1281676	2447732
	Total of I, II, III, IV	**244356561**	**234052974**

SCHEDULE 14 - OTHER INCOME

			Half-Year Ended 30.09.2017		Half-Year Ended 30.09.16
I.	Commission, Exchange and Brokerage		15160451		13338569
II.	Profit on sale of Investments	15391714		12960213	
	Less: Loss on sale of Investments	360842	15030872	784017	12176196
III.	Profit on revaluation of Investments	0		0	
	Less: Loss on revaluation of Investments/ Ammortisation	0	0	0	0
IV.	Profit on sale of land, buildings and other assets	14112		34921	
	Less: Loss on sale of land, buildings and other assets	976	13136	1958	32963
V.	Profit on exchange transactions	5156762		9016675	
	Less: Loss on exchange transacations	1745318	3411444	6100550	2916125
VI.	Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures in India & abroad.		1156936		749161
VII.	Miscellaneous Income		7605075		7874525
	Total of I, II, III, IV, V, VI & VII		**42377914**		**37087539**

PUNJAB NATIONAL BANK

SCHEDULE 15 - INTEREST EXPENDED

(₹000 omitted)

		Half-Year Ended 30.09.2017	Half-Year Ended 30.09.2016
I.	Interest on Deposits	152607679	146082065
II.	Interest on Reserve Bank of India/ inter-bank borrowings	2522951	1469051
III.	Others	10522769	10713414
	Total of I, II, III	**165653399**	**158264530**

SCHEDULE 16 - OPERATING EXPENSES

		Half-Year Ended 30.09.2017	Half-Year Ended 30.09.16
I.	Payments to and Provisions for employees	35272461	38669450
II.	Rent, Taxes and Lighting	3558387	3337285
III.	Printing and Stationery	410424	409444
IV.	Advertisement and Publicity	192498	233654
V.	Depreciation/Amortisation on Bank's property	2820022	2007780
VI.	Directors' fees, allowances and expenses	7784	7540
VII.	Auditors' fees and expenses	227608	336529
VIII.	Law Charges	348115	336690
IX.	Postage, Telegrams, Telephones, etc.	805965	723050
X.	Repairs and Maintenance	1339734	1160647
XI.	Insurance	3204830	2786376
XII.	Other expenditure	7929341	7343071
	Total of I to XII	**56117169**	**57351516**

CHHAJED & DOSHI MUMBAI 101794W Chartered Accountants

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PUNJAB NATIONAL BANK

SCHEDULE 17 (SOLO) – 30.09.2017

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION:

The financial statements have been prepared on historical cost basis and conform, in all material aspects, to Generally Accepted Accounting Principles (GAAP) in India unless otherwise stated encompassing applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Banking Regulation Act 1949, Accounting Standards (AS) and pronouncements issued by The Institute of Chartered Accountants of India (ICAI) and prevailing practices in Banking industry in India.

In respect of foreign offices, statutory provisions and practices prevailing in respective foreign countries are complied with except as specified elsewhere.

The financial statements have been prepared on going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated

2. Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

Future results could differ from these estimates.

Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

Any revision to the accounting estimates is recognised prospectively in the current and future periods unless otherwise stated.

3. REVENUE RECOGNITION

3.1 Income & expenditure (other than items referred to in paragraph 3.5) are generally accounted for on accrual basis.

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants
R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS
HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants
SURI & CO. Chennai 004283 S Chartered Accountants
SPMG & COMPANY New Delhi 509249 C Chartered Accountants

3.2 Income from Non- Performing Assets (NPAs), comprising of advances, and investments, is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices (hereafter collectively referred to as Regulatory Authorities).

3.3 Recoveries in NPA accounts (irrespective of the mode / status / stage of recovery actions) are appropriated in the following order of priority : -

a) Expenditure/out of pocket expenses incurred for recovery (earlier recorded in memorandum dues);
b) Principal irregularities i.e. NPA outstanding in the account.
c) Towards the interest irregularities/accrued interest.

3.4 The sale of NPA is accounted as per guidelines prescribed by RBI and as disclosed under Para 5.4.

3.5 Commission (excluding on Government Business), interest on overdue bills, exchange, locker rent, income from merchant banking transactions and Income on Rupee Derivatives designated as "Trading" are accounted for on realization and insurance claims are accounted for on settlement.

3.6 In case of suit filed accounts, related legal and other expenses incurred are charged to Profit & Loss Account and on recovery the same are accounted for as such.

3.7 Income from interest on refund of income tax is accounted for in the year the order is passed by the concerned authority.

3.8 Lease payments including cost escalation for assets taken on operating lease are recognised in the Profit and Loss Account over the lease term in accordance with the AS 19 (Leases) issued by ICAI.

3.9 Provision for Reward Points on Debit/Credit cards is made based on the accumulated outstanding points in each category.

3.10 Interest on unpaid and unclaimed matured term deposits is accounted for at savings bank rate.

3.11 Dividend is accounted for as and when the right to receive the dividend is established.

4. INVESTMENTS

4.1 The transactions in Securities are recorded on "Settlement Date".

4.2 Investments are classified into six categories as stipulated in form A of the third schedule to the Banking Regulation Act, 1949.

Chhajed & Doshi Chartered Accountants Mumbai 101794W
Kumar & Associates Mumbai Chartered Accountants
Hem Sandeep & Co. Lucknow 009907N Chartered Accountants
Suri & Co. Chennai 004283S Chartered Accountants
SPMG & Company New Delhi 509249C Chartered Accountants

4.3 Investments have been categorized into "Held to Maturity", "Available for Sale" and "Held for Trading" in terms of RBI guidelines as under:

(a) Securities acquired by the Bank with an intention to hold till maturity are classified under "Held to Maturity".

(b) The securities acquired by the Bank with an intention to trade by taking advantages of short-term price/ interest rate movements are classified under "Held for Trading".

(c) The securities, which do not fall within the above two categories, are classified under "Available for Sale"

4.4 **Investments in subsidiaries, joint ventures and associates are classified as HTM.**

4.5 Transfer of securities from one category to another is carried out at the lower of acquisition cost/ book value/ market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for.

However, transfer of securities from HTM category to AFS category is carried out on book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

4.6 In determining acquisition cost of an investment

a. Brokerage / commission received on subscription is deducted from the cost of securities.

b. Brokerage, commission, Securities Transaction Tax (STT) etc. paid in connection with acquisition of securities are treated as revenue expenses upfront and excluded from cost.

c. Interest accrued up to the date of acquisition/sale of securities i.e. broken — period interest is excluded from the acquisition cost/sale consideration and the same is accounted in interest accrued but not due account.

d. Cost is determined on the weighted average cost method for all categories of investments.

4.7 Investments are valued as per RBI/ FIMMDA guidelines, on the following basis:

Held to Maturity

i) Investments under "Held to Maturity "category are carried at acquisition cost.

Wherever the book value is higher than the face value/redemption value, the premium is amortized over the remaining period to maturity on straight line basis. Such amortisation of premium is **reflected in Interest Earned** under the head " Income on investments" as a deduction.

ii) Investments in subsidiaries/joint ventures/associates are valued at carrying cost less diminution, other than temporary in nature for each investment individually.

iii) Investments in sponsored regional rural banks are valued at carrying cost.

iv) Investment in Venture Capital is valued at carrying cost.

v) Equity shares held in HTM category are valued at carrying cost.

Available for Sale and Held for Trading

a)	**Govt. Securities**	
	I Central Govt. Securities	At market prices/YTM as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)
	II State Govt. Securities	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines.
b)	Securities guaranteed by Central / State Government, PSU Bonds (not in the nature of advances)	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines
c)	Treasury Bills	At carrying cost
d)	Equity shares	At market price, if quoted, otherwise at break up value of the Shares as per latest Balance Sheet (not more than one year old), otherwise at Re.1 per company
e)	Preference shares	At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per RBI/FIMMDA guidelines.
f)	Bonds and debentures (not in the nature of advances)	At market price, if quoted, or on appropriate yield to maturity basis as per RBI/FIMMDA guidelines.
g)	Units of mutual funds	As per stock exchange quotation, if quoted; at repurchase price/NAV, if unquoted

h)	Commercial Paper	At carrying cost
i)	Certificate of Deposits	At carrying cost
j)	Security receipts of ARCIL	At net asset value of the asset as declared by ARCIL
k)	Venture Capital Funds	At net asset value (NAV) declared by the VCF
l)	Other Investments	At carrying cost less diminution in value

The above valuation in category of Available for Sale and Held for Trading is done scrip wise on quarterly basis and depreciation/appreciation is aggregated for each classification. Net depreciation for each classification, if any, is provided for while net appreciation is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

4.8 Investments are subject to appropriate provisioning/ de-recognition of income, in line with the prudential norms of Reserve Bank of India for NPI classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities. For NPI in preference share, debentures and bonds, in addition to valuation as above, further provision is made on Sub-standard and Doubtful assets as per NPA provisioning norms.

If any credit facility availed by an entity is NPA in the books of the Bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa. However, in respect of NPI preference share where the dividend is not paid, the corresponding credit facility is not treated as NPA.

4.9 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of investments in "Held to Maturity" category, an equivalent amount (net of taxes and amount required to be transferred to Statutory Reserve) is appropriated to "Capital Reserve Account"

4.10 Securities repurchased/resold under buy back arrangement are accounted for at original cost.

4.11 The securities sold and purchased under Repo/Reverse Repo are accounted as Collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/purchase transactions and such movement of securities is reflected using the Repo/Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo Account is classified under schedule 4 (Borrowings) and balance in Reverse Repo Account is classified under

Schedule7 (Balance with Banks and Money at Call & Short Notice).The same is also applicable to LAF with RBI.

4.12 The derivatives transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market. As per RBI guidelines, different categories of swaps are valued as under: -

Hedge Swaps

Interest rate swaps which hedge interest bearing asset or liability are accounted for on accrual basis except the swaps designated with an asset or liability that are carried at market value or lower of cost in the financial statement.

Gain or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset/ liabilities.

Trading Swaps

Trading swap transactions are marked to market with changes recorded in the financial statements.

Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

4.13 Foreign currency options

Foreign currency options written by the bank with a back-to-back contract with another bank are not marked to market since there is no market risk.

Premium received is held as a liability and transferred to the Profit and Loss Account on maturity/cancellation.

5. LOANS / ADVANCES AND PROVISIONS THEREON:

5.1 Advances are classified as performing and non-performing assets; provisions are made in accordance with prudential norms prescribed by RBI.

5.1 (a) Advances are classified : Standard, Sub Standard, Doubtful and Loss assets borrower wise.

5.1(b) Advances are stated net of specific loan loss provisions, provision for diminution in fair value of restructured advances.

5.2 In respect of foreign offices, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

Loans and advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country.

5.3 Financial Assets sold are recognized as under:

(a) *For Sale of financial assets sold to SCs/RCs*

(i) If the sale to SCs/RCs is at a price below the Net Book Value (NBV), (i.e. Book Value less provisions held), the shortfall should be debited to the Profit & Loss account of that year. *Bank can also use countercyclical / floating provisions for meeting the shortfall on sale of NPAs i.e when the sale is at a price below the NBV.*

However, for assets sold on or after 26.02.2014 and upto 31.03.2016, as incentive for early sale of NPAs, bank can spread over any shortfall, if the sale value is lower than the NBV, over a period of two years. However, assets sold from 01.04.2016 to 31.03.2017, shortfall is to be amortized over a period of only four quarters from the quarter, in which the sale took place.

(ii) If the sale is for a value higher than the NBV, Bank can reverse the excess provision on sale of NPAs to its profit and loss account in the year, the amounts are received. However, Bank can reverse excess provision (when the sale is for a value higher than the NBV) arising out of sale of NPAs, only when the cash received (by way of initial consideration and/or redemption of SRs/PTCs) is higher than the NBV of the asset. Further, reversal of excess provision will be limited to the extent to which cash received exceeds the NBV of the asset.

(b) *For Sale of financial assets sold to Other Banks/NBFCs/FIs etc.*

(i) In case the sale is at a price below the Net Book Value (NBV) i.e. Book Value less provision held, the shortfall should be debited to the Profit & Loss A/c of that year.

(ii) In case the sale is for a value higher than the Net Book Value (NBV) i.e. Book Value less provision held, the excess provision shall not be reversed but will be utilized to meet the shortfall/loss on account of sale of other NPAs.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package.

Necessary provision for diminution in the fair value of a restructured account is made.

5.4 For restructured/rescheduled advances, provisions are made in accordance with guidelines issued by RBI.

In respect of non-performing loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

5.5 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions – Others" and are not considered for arriving at the Net NPAs.

5.6 In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

5.7 Provision for Country Exposure:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorized into seven risk categories, namely, insignificant, low, moderately Low, moderate, moderately high, high & very high and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the "Other liabilities & Provisions – Others".

5.8 An additional provision of 2% (in addition to country risk provision that is applicable to all overseas exposures) against standard assets representing all exposures to step down subsidiaries of Indian Corporates has been made to cover the additional risk arising from complexity in the structure, location of different intermediary entities in different jurisdictions exposing the Indian

Company, and hence the Bank, to a greater political and regulatory risk. (As per RBI Cir.No. RBI/2015.16/279 DBR.IBD.BC No. 68/23.37.001/2015-16 dated 31.12.2015).

6. FIXED ASSETS

6.1 Fixed assets are stated at historical cost less accumulated depreciation/amortisation, wherever applicable, except those premises, which have been revalued. The appreciation on revaluation is credited to revaluation reserve and incremental depreciation attributable to the revalued amount is deducted there from.

6.2 Software is capitalized and clubbed under Intangible assets.

6.3 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset till the time of capitalization. Subsequent expenditure/s incurred on the assets are capitalised only when it increases the future benefits from such assets or their functioning capability.

6.4 DEPRECIATION

A. Depreciation on assets (including land where value is not separable) is provided on straight-line method based on estimated life of the asset, except in respect of computers where it is calculated on the straight-line method, at the rates prescribed by RBI.

B. Depreciation on assets has been provided at the rates furnished below:-

Particulars	Rate of Depreciation
Land acquired on perpetual lease where no lease period is mentioned	Nil
Land acquired on lease where lease period is mentioned	Over lease period
Building	
• Constructed on free hold land and on leased land, where lease period is above 40 years	2.50%
• Constructed on leased land where lease period is below 40 years.	Over lease period
Built-up Assets taken over from erstwhile New Bank of India & Nedungadi Bank Ltd	4.00%
Furniture and fixtures- Steel articles	5.00%
Furniture and fixtures-wooden articles	10.00%
Mattresses	20.00%
Mobile Phone Instruments	33.33%
Machinery, electrical and miscellaneous articles	15.00%
Motor cars and cycles	15.00%
Computers, ATMs and related items, laptop, i pad	33.33%

Computer Application Software – Intangible Assets	
- Up to Rs. 5,000	Charged to Revenue
- Others	20.00%

C. Depreciation on fresh additions to assets other than bank's own premises is provided from the month in which the assets are put to use and in the case of assets sold/disposed off during the year, up to the month preceding the month in which it is sold/ disposed off.

D. The depreciation on bank's own premises existing at the close of the year is charged for full year. The construction cost is depreciated only when the building is complete in all respects. Where the cost of land and building cannot be separately ascertained, depreciation is provided on the composite cost, at the rate applicable to buildings.

E. In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year(s).

7. IMPAIRMENT OF ASSETS

The carrying costs of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors.

An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, if any, depreciation is provided on the revised carrying cost of the asset over its remaining useful life.

A previously recognized impairment loss is increased or reversed depending on changes in circumstances.

However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

8. EMPLOYMENT BENEFITS

- **PROVIDENT FUND:**

Provident fund is a defined contribution scheme as the Bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contribution are charged to Profit & Loss A/c.

- **GRATUITY:**

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

- **PENSION:**

Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

The Bank operates a New Pension Scheme (NPS) for all officers/ employees joining the Bank on or after 01.04.2010. . As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of the registration procedures of the employees concerned, these contributions are retained. The Bank recognizes such annual contributions as an expense in the year to which they relate. Upon the receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

- **COMPENSATED ABSENCES:**

Accumulating compensated absences such as Privilege Leave (PL) and Sick Leave (including unavailed casual leave) are provided for based on actuarial valuation.

- **OTHER EMPLOYEE BENEFITS:**

Other Employee Benefits such as Leave Fare Concession (LFC), Silver Jubilee Award, etc. are provided for based on actuarial valuation.

In respect of overseas branches and offices, the benefits in respect of employees other than those on deputation are valued and accounted for as per laws prevailing in the respective countries.

9. TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS & BALANCES:

Transactions involving foreign exchange are accounted for in accordance with AS 11, "The Effect of Changes in Foreign Exchange Rates".

9.1 Except advances of erstwhile London branches which are accounted for at the exchange rate prevailing on the date of parking in India, all other monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are translated in Indian Rupee equivalent at the exchange rates prevailing as on the Balance Sheet date as per Foreign Exchange Dealers' Association of India (FEDAI) guidelines.

9.2 Non-monetary items other than fixed assets which are carried at historical cost are translated at exchange rate prevailing on the date of transaction.

9.3 Outstanding Forward exchange spot and forward contracts are translated as on the Balance Sheet date at the rates notified by FEDAI and the resultant gain/loss on translation is taken to Profit & Loss Account.

Foreign exchange spot/forward contracts/deals (Merchant and Inter-bank) which are not intended for trading/Merchant Hedge and are outstanding on the Balance Sheet date, are reverse re-valued at the closing FEDAI spot/forward rate in order to remove revaluation effect on exchange profit. The premium or discount arising at the inception of such a forward exchange contract is amortised as interest expense or income over the life of the contract.

9.4 Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the Profit and Loss Account.

9.5 Offices outside India / Offshore Banking Units:

i. Operations of foreign branches and off shore banking unit are classified as "Non-integral foreign operations" and operations of representative offices abroad are classified as "integral foreign operations"
ii. Foreign currency transactions of integral foreign operations and non-integral foreign operations are accounted for as prescribed by AS-11.
iii. Exchange Fluctuation resulting into Profit / loss of non-integral operations is credited /debited to Exchange Fluctuation Reserve.

10. TAXES ON INCOME

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively after taking into account taxes paid at the foreign offices, which are based on the tax laws of respective jurisdictions.

Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgment as to whether their realisation is considered as reasonably/virtually certain.

11. Earnings per Share:

The Bank reports basic and diluted earnings per share in accordance with AS 20 -'Earnings per Share' issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

12. Provisions, Contingent Liabilities and Contingent Assets:

- In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

- Contingent Assets are not recognised in the financial statements.

13. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold, which is treated as deposits/advances as the case may be with the interest paid / received classified as interest expense/income.

14. Segment Reporting

The Bank recognizes the Business segment as the Primary reporting segment and Geographical segment as the Secondary reporting segment, in accordance with the RBI guidelines and in compliance with the Accounting Standard 17 issued by ICAI.

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PUNJAB NATIONAL BANK
SCHEDULE 18 (SOLO)
SELECT NOTES TO ACCOUNTS (30.09.2017)

1. Capital

(₹ in Crore)

Sl. No	Particulars	30.09.2017	30.09.2016
i.	Common equity Tier 1 Capital ratio (%)*	7.67	8.26
ii.	Tier 1 Capital ratio (%)*	8.88	8.78
iii.	Tier 2 Capital ratio (%)*	2.68	2.87
iv.	Total Capital ratio (CRAR) (%)*	11.56	11.65
v.	Percentage of the shareholding of the Government of India in the Bank	65.01	65.01
vi.	Amount of equity Capital raised	NIL	32.87
vii.	Amount of Additional Tier 1 Capital raised; *of which :*	1500	NIL
	Perpetual Non- Cumulative Preference Shares(PNCPS):	NIL	NIL
	Perpetual Debt Instruments (PDI):	1500	NIL
viii.	Amount of Tier 2 Capital raised; *of which* :	NIL	NIL
	Debt Capital instrument:	NIL	NIL
	Preference Share Capital Instruments:[Perpetual Cumulative Preference Shares (PCPS / Redeemable Non- Cumulative Preference Shares (RNCPS) /Redeemable Cumulative Preference Shares (RCPS)]	NIL	NIL

* Information given in 1 (i to iv) has been given as per Basel III Capital Regulations.

2. Investments

(₹ in Crore)

	Particulars	30.09.2017	30.09.2016
(1)	**Value of Investments**		
i	**Gross value of Investments**	211974.91	172590.89
a	In India	205382.68	167310.44
b	Outside India	6592.23	5280.45
ii	**Provisions for Depreciation**	1404.39	1077.16
a	In India	1404.39	1077.16
b	Outside India	0.00	0.00
iii	**Net value of Investments**	210570.52	171513.73
a	In India	203978.29	166233.28
b	Outside India	6592.23	5280.45

(2)	**Movement of provisions held towards depreciation on investments.**		
i	Opening balance as on 01.04.2017.	1412.61	960.64
ii	Add: Provisions made during the period	84.45	369.22
iii	Less: Write-off/ write-back of excess provisions during the period (Net).	92.67	252.70
iv	**Closing balance as on 30.09.2017.**	**1404.39**	**1077.16**

3. Repo Transactions (in face value terms)

(₹. in Crore)

Face Value	Minimum outstanding during the Half year ended 30.09.2017	Maximum outstanding during the Half year ended 30.09.2017	Daily Average outstand-ing during the Half year ended 30.09.2017	Outstanding as on 30.09.2017
Securities sold under repo				
(i) Government Securities	0.00 (0.00)	102.96 (16175.00)	1.13 (633.56)	0.00 (0.00)
(ii) Corporate Debt Securities	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Securities purchased under reverse repo				
(i) Government Securities	0.00 (0.00)	31710.00 (20162.87)	15263.99 (8201.79)	5000.00 (8600.00)
(ii) Corporate Debt Securities	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)

(Figures in brackets relate to previous year)

4. Non-SLR Investment Portfolio

4a. Issuer composition of Non SLR investments

As on 30.09.2017
(₹ in Crore)

Sr.No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	13665.13 (10501.23)	0.00 (0.00)	1536.83 (0.00)	1536.83 (0.00)	1536.83 (0.00)
(ii)	FIs	23987.97 (12695.65)	47.00 (27.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
(iii)	Banks	4450.33 (5371.15)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
(iv)	Private Corporates	8579.43 (5990.97)	50.00 (50.00)	172.21 (0.00)	226.12 (3.07)	428.77 (1.50)

(v)	Subsidiaries / Joint Ventures	3083.70 (2305.14)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	451.37 (433.95)
(vi)	Others*	2385.25 (4295.61)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
(vii)	Provisions held towards depreciation.	-1404.39 (-1075.42)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
	Total	**54747.42 (40084.33)**	**97.00 (77.00)**	**1709.04 (0.00)**	**1762.95 (3.07)**	**2416.97 (435.45)**

(Figures in brackets relate to previous year)

*Others include Special Govt. Securities of ₹ 2143.34 crore (Net of depreciation, if any) shown under Govt. Securities in Schedule 8. Amounts reported under columns 4, 5, 6 and 7 above may not be mutually exclusive.

4b. Non-performing Non-SLR investments

(₹ in Crore)

Particulars	30.09.2017	30.09.2016
Opening balance	727.90	516.41
Additions during the period	272.75	210.87
Reductions during the period	16.93	0.03
Closing balance	**983.72**	**727.25**
Total provisions held	849.15	62.13

4c. Sale and transfers to / from HTM category

The total value of sales and transfers of securities to / from HTM category during 1st April 2017 to 30th September, 2017 has not exceeded 5% of the book value of investments held in HTM category as on 31.03.2017.

{The 5 percent threshold referred to above will exclude (a) the one- time transfer of securities to/ from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the beginning of the accounting year (b) sales to the Reserve Bank of India under pre-announced OMO auctions, (c) Repurchase of Government Securities by Government of India from banks, (d) Sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM at the beginning of April, 2017, in addition to the shifting permitted at the beginning of the accounting year, i.e. April, 2017}

As such no disclosure is to be made in terms of extant RBI guidelines.

5.Derivatives

5a. Forward Rate Agreement/ Interest Rate Swap

(₹ in Crore)

	Particulars	30.09.2017	30.09.2016
i	The notional principal of swap agreements	322.44	247.44
ii	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	6.00	7.03
iii	Collateral required by the bank upon entering into swaps	NIL	NIL
iv	Concentration of credit risk arising from the Swaps	NIL	NIL
v	The fair value of the swap book	(-) 0.80	(+) 1.14

5b.Exchange Traded Interest Rate Derivatives

(₹ in Crore)

Sl. No.	Particulars	30.09.2017	30.09.2016
(i)	Notional Principal amount of exchange traded interest rate derivatives undertaken during the period 1, April, 2017 to September, 2017 (instrument-wise) a) Interest rate futures	70.44	323.68
(ii)	Notional Principal amount of exchange traded interest rate derivatives outstanding as on 30th September, 2017 (instrument-wise)	10.00	NIL
(iii)	Notional Principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument-wise)	10.00	NIL
(iv)	Mark-to-Market value of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument-wise)	(-) 0.0083	NIL

5c.Disclosure on risk exposure in derivatives

I - Qualitative Disclosure

1. Bank discusses their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion also include :

   a. The structure and organization for management of risk in derivative trading.
   b. The scope and nature of risk measurement, risk reporting and risk monitoring systems.
   c. Policies for hedging and/or mitigating risks and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants, and
   d. Accounting policy for recording hedge and non-hedge transactions, recognition of income, premiums and discounts, valuation of outstanding contracts, provisioning, collateral and credit risk mitigation.

II - Quantitative Disclosure

(Amt. ₹ in Crore)

Sl. No.	Particulars	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
		30.09.2017	30.09.2017	30.09.2016	30.09.2016
1	Derivatives (Notional Principal Amount)				
(a)	For Hedging	0.00	0.00	0.00	0.00
(b)	For trading*	0.00	322.44	0.00	247.44
2	Marked to Market Position				
	Hedging				
	a) Asset (+)	0.00	0.00	0.00	1.14
	b) Liability (-)	0.00	0.00	0.00	0.00
	Trading				
	a) Asset (+)				

	b) Liability (-)	0.00	(-) 0.80	0.00	0.00
3	Credit Exposure	0.00	13.24	0.00	13.53
4	Likely impact of one percentage change in interest rate (100*PV01)				
(a)	On hedging derivatives	0.00	0.00	0.00	0.00
(b)	On trading derivatives	0.00	(-) 0.00079	0.00	(-) 0.05
5	Maximum and Minimum of 100*PV01 observed during the period				
(a)	On hedging Maximum	0.00	0.00	0.00	0.00
	Minimum	0.00	0.00	0.00	0.00
(b)	On trading Maximum	0.00	(-) 0.01057	0.00	**(-)0.010211**
	Minimum		(-) 0.00005	0.00	**(-)0.000185**

6. Asset Quality

6a Non-Performing Assets **(₹. in Crore)**

	Particulars	**30.09.2017**	**30.09.2016**
i)	Net NPAs to Net Advances (%)	8.44 %	9.10 %
ii)	**Movement of NPAs (Gross)**		
	Opening balance	55370.45	55818.33
	Additions during the half yearly	10108.68	13911.58
	Reductions during the half yearly	7849.02	13264.29
	Closing balance	**57630.11**	**56465.62**
iii)	**Movement of Net NPAs**		
	Opening balance	32702.10	35422.56
	Additions during the half yearly	7757.96	9604.86
	Reductions during the half yearly	5889.91	9305.10
	Closing balance	**34570.15**	**35722.32**
iv)	**Movement of provision for NPAs (excluding provisions on Standard assets)**		
	Opening balance	22043.49	19854.43
	Provisions made during the half yearly (Gross)	5944.71	7173.27
	Write-off/write back of excess provision	5383.28	6941.18
	Closing balance	**22604.92**	**20086.52**

PUNJAB NATIONAL BANK
INDUSTRIAL REHABILITATION DEPARTMENT-CREDIT DIVISION-HO: NEW DELHI

Disclosure of Restructured Accounts (As on 30.09.2017) as per revised guidelines

(Rs. in Lacs')

Sl No	Type of Restructuring ->		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification -> Details		Standard	Sub-Stand-ard	Doubtful	Loss	Total	Standard	Sub-Stand-ard	Doubtful	Loss	Total	Standard	Sub-Stand-ard	Doubtful	Loss	Total	Standard	Sub-Stand-ard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY 2017-18(Opening figures)	No. of borrowers	24.00	8	26	0	58	45	15	3	0	63	48	16	5	0	69	117	39	34	0	190
		Amount outstanding	293771.57	94909.80	531511.29	0.00	920192.66	60787.83	5855.75	4821.69	0	71445.27	838692.84	13591.04	67060.09	0	919343.97	1193232.24	114356.59	603393.07	0.00	1910981.90
		Provision thereon	52432.85	15532.68	53548.68	0.00	121514.21	8409.51	1219.53	943.64	0	10572.68	89252.11	1235.09	3742.82	0	94230.02	150094.47	17987.30	58235.14	0.00	226316.91
2	Fresh restructuring during the year (plus addition in o/s in	No. of borrowers	0.00	0	0	0.00	0	2	7	0	0	9	532	0	0.08	0	532	534	7	0	0	541
		Amount outstanding	0.00	0.00	0.00	0.00	0	1345.83	745.13	0.00	0	2090.96	93523.94	0.00	0.00	0	93523.94	94869.77	745.13	0.00	0.00	95614.90
		Provision thereon	0.00	0.00	0.00	0.00	0	30.58	64.28	0.00	0	94.86	4706.10	0.00	0.00	0	4706.10	4736.68	64.28	0.00	0.00	4800.96
3	Upgradations to restructured standard category during the	No. of borrowers	0	0	0	0	0	2	-2	0	0	0	2	-1	-1	0	0	4	-3	-1	0	0
		Amount outstanding	0.00	0.00	0.00	0.00	0	201.36	-201.38	0.00	0	0	12507.24	-8932.58	-3574.65	0	0.00	12708.60	-9133.94	-3574.66	0.00	0.00
		Provision thereon	0.00	0.00	0.00	0.00	0	21.12	-21.12	0	0	0	2448.29	-840.45	-1607.84	0	0.00	2469.41	-861.57	-1607.84	0.00	0.00
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 17-18 and hence need not be	No. of borrowers	0	0.00	0.00	0.00	0	-18	0.00	0	0	-18	-10	0	0	0	-10	-28	0	0	0	-28
		Amount outstanding	0.00	0.00	0.00	0.00	0	-8050.78	0.00	0	0	-8050.78	-48051.20	0	0	0	-48051.2	-56101.98	0.00	0.00	0.00	-56101.98
		Provision thereon	0.09	0.00	0.00	0.00	0	-513.83	0.00	0	0	-513.83	-2435.16	0	0	0	-2435.16	-2948.99	0.00	0.00	0.00	-2948.99
5	Downgradations of restructured accounts during the FY-17-18	No. of borrowers	-3	-2	6	1	2	-3	3	0.00	0	0	-4	7	0	0	3	-10	8	6	1	5
		Amount outstanding	-74211.85	-989.75	72420.01	5497.17	2735.68	-3488.63	3488.63	0.00	0	0.00	-40886.93	69290.89	0.00	0	28403.96	-118587.41	71809.77	72420.01	5497.17	31139.54
		Provision theraon	-9972.74	2449.03	7535.59	112.73	124.61	-1259.37	1259.37	0.00	0	0	-4225.02	4443.16	0.00	0	218.14	-15457.13	8151.56	7535.59	112.73	342.75
6	Write-offs /Closure/recovery/exit of restructured accounts during the FY17-18	No. of borrowers	-1	-2	-9	0	-12	-2	-2	0	0	-4	-5	-1	-2	0	-8	-8	-5	-11	0	-24
		Amount outstanding	-64873.23	-89714.94	-249263.04	-0.01	-383851.22	-2114.93	-741.35	-0.12	0	-2856.40	-13582.22	-2889.44	-55149.83	0	-71621.49	-80570.38	-73345.73	-304412.99	-0.01	-458329.11
		Provision thereon	-19142.12	-15430.74	-23811.87	-112.73	-58497.46	-499.32	-170.93	-32.32	0	-702.57	-2625.39	-1898.35	-901.23	0	-5422.97	-22266.83	-17498.02	-24745.42	-112.73	-64623.00
7	Restructurod Acounts as on 30.09.2017 of the FY (closing figures)	No. of borrowers	20.00	4.00	23.00	1.00	48.00	26.00	21.00	3.00	0.00	50.00	563	21	2	0	686	609	46	28	1	684
		Amount outstanding	154686.49	24225.11	364668.26	5497.16	539077.02	48660.68	9146.80	4821.57	0.00	62629.05	842203.67	71059.91	8335.60	0.00	921599.18	1045550.84	104431.82	367825.43	5497.16	1523305.25
		Provision thereon	23317.99	2550.97	37272.40	0.00	63141.36	6188.69	2351.13	911.32	0.00	9451.14	87120.93	2941.45	1233.75	0.00	91296.13	116627.61	7843.65	39417.47	0.00	163888.63

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6c.Details of financial assets sold to Securitisation/Reconstruction Company (SC/RC) for Asset Reconstruction.

A. Details of Sales.

(₹.in Crore)

	Particulars	30.09.2017	30.09.2016
1.	No. of Accounts	1	2
2.	Aggregate value (net of provisions) of accounts sold to SC/RC	146.41	16.12
3.	Aggregate consideration	146.82	139.38
4.	Additional consideration realized in respect of accounts transferred in earlier years (During current financial year 2017-18 i.e. from 01.04.2017 to 30.09.2017)	NIL	NIL
5.	Aggregate gain/loss over net book value(3-2)	0.41	123.26
5.1	Loss over NBV (where sale is for value below NBV)	0.00	0.00
5.2	Gain over NBV (where sale is for value above NBV)	0.41	123.26

B. Details of Book Value of Investments in Security Receipts.

(₹.in Crore)

Particulars	30.09.2017	30.09.2016
(i) Backed by NPAs sold by the bank as underlying	**2389.93**	**118.47**
(ii) Backed by NPAs sold by other banks / financial institution / non banking financial companies as underlying	**NIL**	**NIL**

6d. Details of non-performing financial assets purchased/sold from / to other banks.

A. Details of non-performing financial assets purchased:

(₹ in Crore)

	Particulars	30.09.2017	30.09.2016
1	(a) No. of accounts purchased during the period	NIL	NIL
	(b) Aggregate outstanding	NIL	NIL
2	(a) Of these, number of accounts restructured during the period.	NIL	NIL
	(b) Aggregate outstanding	NIL	NIL

B. Details of non-performing financial assets sold :

(₹ in Crore)

	Particulars	30.09.2017	30.09.2016
1	No. of accounts sold during the period	NIL	NIL
2	Aggregate outstanding	NIL	NIL
3	Aggregate consideration received	NIL	NIL

6e. Provisions on Standard Assets

(₹ in Crore)

Particulars	30.09.2017	30.09.2016
Cumulative Balance (included under "Other Liabilities & Provisions" in Schedule 5 to the balance sheet)	3218.22	3062.69

7. Business Ratios

	Particulars	30.09.2017	30.09.2016
i.	Interest Income as a percentage to Working Funds (Annualized)	6.51 %	6.93%
ii.	Non-Interest Income as a percentage to Working Funds (Annualized)	1.13 %	1.40%
iii.	Operating profit as a percentage to Working Funds (Annualized)	1.73 %	1.95%
iv.	Return on Assets (Annualized)	0.24 %	0.25%
v.	Business (Deposits plus advances) per employee (₹ in Crores)	13.85	13.19
vi.	Profit per employee ((₹ in Crores) (Annualized)	0.01	0.01

Note: Working Funds are based on Monthly Average.

8. Exposures:

8a. Exposure to Real Estate Sector :

(₹ in Crore)

	Category	30.09.2017	30.09.2016
(A)	**Direct Exposure**		
i.	Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (individual housing loans up to ₹ 20 lakh - ₹ 18028.29 crore as on 30.09.2017 and individual housing loans up to ₹ 20 lakh- ₹ 16554.02 crore as 30.09.2016).	49341.60	43778.58
ii.	Commercial Real Estate – including NFB Limits Lending secured by mortgages on Commercial Real Estates (office buildings, retail space, multi-purpose commercial premises, industrial or warehouse space, land acquisition, development and construction etc.)	10648.92	13172.11
iii.	Investments in Mortgaged Backed Securities (MBS) and other securitized exposures -		
(a)	- Residential	0.00	0.00
(b)	- Commercial Real Estate	0.00	0.00
(B)	**Indirect Exposure**		
	• FB & NFB Exposure to National Housing Bank (NHB) & Housing Finance Companies (HFCs) (30.09.2017: ₹ 11953.47 Crore; 30.09.2016: ₹ 7451.06 Crores) • Investments made by the Bank in Housing Companies & Corporations. (30.09.2017: ₹ 5686.79 Crore; 30.09.2016: ₹ 5684.23 Crores)	17640.26	13135.29
	Total Exposure to Real Estate Sector	**77630.78**	**70085.98**

Chhajed & Doshi, Mumbai, Chartered Accountants · R. Devendra Kumar & Associates, Mumbai, Chartered Accountants · Hem Sandeep & Co., Lucknow 009907 N, Chartered Accountants · Suri & Co., Chennai 004283 S, Chartered Accountants · SPMG & Company, New Delhi 509249 C, Chartered Accountants

8b.Exposure to Capital Market

(₹ in Crore)

	Particulars	30.09.2017	30.09.2016
1.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	3493.17	3945.55
2.	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs) convertible bonds, convertible debentures, and units of equity oriented mutual funds.	2.62	2.92
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	346.45	410.64
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances.	646.72	488.05
5.	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers.	318.30	408.41
6.	Loans sanctioned to corporate against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	NIL	NIL
7.	Bridge loans to companies against expected equity flows/issues.	NIL	NIL
8.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	NIL	NIL
9.	Financing to stock brokers for margin trading	NIL	NIL
10.	All exposures to Venture Capital funds (both registered and unregistered)	241.91	312.01
11.	Advances to Mutual Funds	5250.00	2950.13
	Total Exposure to Capital Market	**10299.17**	**8517.71**

8c.Risk Category wise Country Exposure

Total Net Funded Exposure as on 30.09.2017 is ₹. 64698.84 crores. Total assets of the bank as on 30.06.2017 were ₹ 725206.63 crores, 1% of which is ₹. 7252.06 crore. Total net funded exposure of Two countries namely Hong Kong and UAE amounting to ₹ 12981.58 crore & ₹ 17276.92 crore respectively, is more than 1% of the total assets of the Bank as on 30.06.2017. Total net funded exposure of the bank on Hong Kong and UAE is more than 1% of total assets as on 30.09.2017 also. Hence provision of ₹ 20.46 crore for Hong Kong and ₹ 26.98 crore for UAE has been made in terms of RBI guidelines. As per Export Credit Guarantee Corporation of India (ECGC) classification, Hong Kong is in the Insignificant Risk Category i.e. A1 and UAE is in the Low Risk Category i.e. A2.

Risk Category Wise Country Exposure

(₹ in Crore)

Risk Category	Exposure (net) as at September 2017 (Current Year)	Provision held as at September 2017 (Current Year)	Exposure (net) as at September 2016 (Previous Year)	Provision held as at September 2016 (Previous Year)
Insignificant	35702.19	20.46	42808.89	26.44
Low	28853.69	26.98	26113.98	14.48
Moderate Low	7.64	0.00	676.61	0.00
Moderate	131.59	0.00	0.80	0.00
Moderate High	1.11	0.00	0.40	0.00
High	2.62	0.00	0.42	0.00
Very high	0.00	0.00	0.00	0.00
Total	**64698.84**	**47.44**	**69601.11**	**40.92**

8d. Details of Single Borrower Limit and Group Borrower Limit exceeded by the bank.

"The Bank has not exceeded prudential exposure ceilings in respect of any Group Accounts and Individual Borrowers during the period 01.04.2017 to 30.09.2017."

09. Disclosure of penalties imposed by the RBI:

A	During the period (01.04.2017 to 30.09.2017), no penalty has been imposed by RBI on the bank under the provision of Section 46(4) of the Banking Regulation Act, for contraventions of any of the provisions of the Act or non-compliance with any other requirements of the Banking Regulation Act, 1949; order, rule or condition specified by Reserve Bank under the said Act.
B	No SGLs were bounced during the period ended 30.09.2017 (wef. 01.04.2017 to 30.09.2017)

Other Disclosures required by Accounting Standards

10. AS -5 Prior Period and Change in Accounting Policy

There were no material prior period income/expenditure items requiring disclosure under AS–5.

11. AS- 6 Depreciation accounting

Break up of total depreciation for the half year ended September, 2017 for each class of assets

(₹ in Crore)

Class of assets	30.09.2017	30.09.2016
Premises	5.80	4.48
Other fixed assets	224.63	179.47
Leased assets	0.00	0.00
Computer software	20.15	16.83
Total	**250.58**	**200.78**

12. AS- 9 Revenue Recognition:

Certain items of income are recognized on realization basis as per Accounting Policy No. **3(5)**. However, the said income is not considered to be material.

13. AS 11- Changes in foreign exchange rates:

Movement of foreign currency translation reserve

(₹ In Crore)

Particulars	Amount (2017-18)	Amount (2016-17)
Opening balance	342.64	64.21
Credited during the period 01.04.2017 to 30.09.2017	19.03	04.47
Withdrawn during the period 01.04.2017 to 30.09.2017	0.00	1.69
Closing Balance as at 30.09.2017.	**361.67**	**66.99**

14. AS 15 – Employees Benefits:

ADOPTION OF AS – 15(R):

"The Bank has adopted Accounting Standard 15(R) - Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), with effect from 1st April 2007. The Bank has provided for employee benefits on an estimated basis during the period ended 30.09.2017 (01.04.2017 to 30.09.2017)"

15. Segment reporting for the period ended 30th September 2017

(₹ in Lacs)

PART A: BUSINESS SEGMENTS

Sl. No.	Particulars		HALF YEAR ENDED 30.09.2017 (Unaudited)	HALF YEAR ENDED 30.09.2016 (Unaudited)	YEAR ENDED 31.03.2017 (Audited)
i.	**Segment Revenue**				
	a)	Treasury	966946	773472	1694593

	b)	Corporate/Wholesale Banking	1014612	1134365	2304307
	c)	Retail Banking	817169	747046	1511675
	d)	Other Banking Operations	68618	56522	112161
	Total		**2867345**	**2711405**	**5622736**
ii.	**Segment Results**				
	a)	Treasury	280366	211869	469076
	b)	Corporate/Wholesale Banking	-213523	-167800	-519704
	c)	Retail Banking	181893	140154	357733
	d)	Other Banking Operations	16510	11454	30577
	Total		**265246**	**195677**	**337682**
iii.	Unallocated Expenses		120557	64225	136528
iv.	Operating Profit		649639	555244	1456516
v.	Provision for Tax		54291	45880	68674
vi.	Extraordinary Items		NIL	NIL	NIL
vii.	Net Profit		**90398**	**85572**	**132480**
Other Information:					
viii.	**Segment Assets**				
	a)	Treasury	21930860	18258226	21272894
	b)	Corporate/Wholesale Banking	31422215	30309376	32431692
	c)	Retail Banking	16094694	14647973	15234994
	d)	Other Banking Operations	2616792	2734071	1933664
	Sub Total		**72064561**	**65949646**	**70873244**
	e)	Unallocated Assets	1146992	1064968	1159811
	Total Assets		**73211553**	**67014614**	**72033055**
ix.	**Segment Liabilities**				
	a)	Treasury	20947526	17375826	20357164
	b)	Corporate/Wholesale Banking	30013309	28844558	31035611
	c)	Retail Banking	15373042	13940053	14579177
	d)	Other Banking Operations	2499461	2601937	1850426
	Sub Total		**68833338**	**62762374**	**67822378**
	e)	Unallocated Liabilities	828	0	931
	Total Liabilities		**68834166**	**62762374**	**67823309**

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

SURI & CO. Chennai 004283 S Chartered Accountants

S P M G & COMPANY New Delhi 509249 C Chartered Accountants

Part B – GEOGRAPHIC SEGMENTS

Sl. No	Particulars		HALF YEAR ENDED 30.09.2017 (Unaudited)	HALF YEAR ENDED 30.09.2016 (Unaudited)	YEAR ENDED 31.03.2017 (Audited)
1.	**Revenue**				
	a)	Domestic	2774012	2628758	5464487
	b)	International	93333	82647	158249
	Total		**2867345**	**2711405**	**5622736**
2.	**Assets**				
	a)	Domestic	64501499	57410483	63503755
	b)	International	8710054	9604131	8529300
	Total		**73211553**	**67014614**	**72033055**

Note:

1. Segment Liabilities are distributed in the ratio of their respective Segment Assets.
2. Figures of the previous period have been re-grouped /re-classified wherever necessary to make them comparable.

16. Disclosure of Related Parties as per AS –18 issued by ICAI
Names of the related parties and their relationship with the Bank:

Key Management Personnel:

i)	Mrs. Usha Ananthasubramanian, Managing Director & CEO, Remained upto 05.05.2017.
ii)	Shri Sunil Mehta, Managing Director & CEO, w.e.f. 05.05.2017.
iii)	Shri K.V.Brahmaji Rao, Executive Director
iv)	Dr .Ram S.Sangapure, Executive Director.
v)	Shri Sanjiv Sharan, Executive Director.

Subsidiaries:

i)	PNB Gilts Ltd.
ii)	Punjab National Bank (International) Ltd., UK.
iii)	PNB Investment Services Ltd.
iv)	Druk PNB Bank Ltd, Bhutan.
v)	PNB Insurance Broking Pvt Ltd*.

Associates:

i)	Principal PNB Asset Management Company Pvt. Ltd.
ii)	Principal Trustee Company Private Limited.
iii)	PNB Metlife India Insurance Company Ltd.
iv)	PNB Housing Finance Ltd.
v)	JSC (Tengri Bank) Almaty, Kazakhstan .
vi)	Madhya Bihar Gramin Bank, Patna.
vii)	Sarva Haryana Gramin Bank, Rohtak.
viii)	Himachal Pradesh Gramin Bank, Mandi.
ix)	Punjab Gramin Bank, Kapurthala.
x)	Sarva UP Gramin Bank, Meerut.

*Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

Joint Venture:

i)	Everest Bank Limited, Kathmandu Nepal.

17. Accounting for Leases – AS 19

Financial Leases:

a. Original value of assets acquired on financial lease and included in other fixed assets (including furniture and fixture):	₹ 41.65 lacs
The amount of depreciation provided upto 30.09.2017 thereon	₹ 41.65 lacs
The written down value as on 30.09.2017	₹ 1.00
b. Minimum Lease Payment due not later than one year	₹ 1.00
c. Minimum Lease Payment due more than one year but not later than five years	0.00
d. Minimum Lease Payment due later than five years	NIL
e. Operating leases	NIL

The above data is as certified by the Management.

18. AS 20 - Earnings Per Share

Sl.No.	Particulars	30.09.2017	30.09.2016
A	EPS - Basic / Diluted (in ₹) (Non Annualized)	4.25	4.32
B	Amount used as numerator Profit/ (Loss) after tax (₹ in '000)	9039847	8557249
C	Nominal value of share	₹ 2.00 each	₹ 2.00 each
D	Weighted average number of equity shares used as the denominator	2127968258	1978866906

19. AS 22- Accounting for taxes on Income

The Bank has recognized deferred tax assets and liability as per accounting policy no. 7. Major components of which are set out below:

(₹ in Crores)

Particulars	As on 30.09.2017	As on 30.09.2016
Deferred Tax Assets		
Provision for Leave encashment	560.65	514.58
Provision for Pension & Gratuity	0.00	58.35
Statutory Liability u/s 43B	0.00	00.00
Provision for bad and doubtful debts	6563.12	4837.51
Total	**7123.77**	**5410.44**
Deferred Tax Liabilities		
Depreciation on fixed assets	-7.24	-7.54
Deduction u/s 36(1)(viii) of Income Tax Act 1961	499.73	410.50
Total	**492.49**	**402.96**
Deferred Tax Assets (Net)	**6631.28**	**5007.48**

The deferred tax assets ₹ 530.25 crore for half year ended September 2017 (FY 2017-18) (P.Y ₹ 390.01 Crore) is credited to Profit and Loss Account.

20. AS 23- Accounting for Investments in Associates in Consolidated financial Statements

Since Investments of the bank in its Associates are participative in nature and the Bank having the power to exercise significant influence on their activities, such Investments are recognized in the Consolidated Financial Statements of the Bank.

21. AS 24 - Discontinuing Operations

During the period from 01.04.2017 to 30.09.2017, the bank has not discontinued operations of any of its branches, which resulted in shedding of liability and realization of the assets and no decision has been finalized to discontinue an operation in its entirety which will have the above effect.

22. AS 28 – Impairment of Assets

A substantial portion of the bank's assets comprise of 'financial assets' to which Accounting Standard 28 'Impairment of Assets' is not applicable. In the opinion of the bank, there is no impairment of its assets (to which the standard applies) to any material extent as at 30.09.2017 requiring recognition in terms of the said standard.

23. AS-29 Provisions, Contingent Liabilities and Contingent Assets

i) Movement of provisions for liabilities*

(₹ in Crore)

Particulars	Salary arrears	Legal cases/ contingencies
Balance as at 1st April 2017	7.10 (8.34)	24.36 (19.89)
Provided during the period	0.00 (0.00)	0.41 (2.37)
Amounts used during the period	0.04 (1.03)	0.00 (0.28)
Reversed during the period	0.00 (0.00)	0.84 (0.10)
Balance as at 30.09.2017	**7.06 (7.31)**	**23.93 (21.88)**
Timing of outflow/uncertainties		

*Excluding provisions for others

Figures in brackets relate to previous year.

ii) Refer Schedule-12 on contingent liabilities

Such liabilities at S.No.(I), (II), (III), (IV), (V) & (VI) are dependent upon the outcome of Court / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, respectively.

24. Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account is as follows:

(₹ in Crore)

Particulars	30.09.2017	30.09.2016
Provisions for depreciation on investment (net)	325.66	148.97
Provision towards NPAs (net)	5253.49	5838.01
Provision towards Standard Assets	-137.83	146.08
Provision made towards Income Tax (including Fringe Benefit Tax & Wealth Tax)	542.91	458.80
Other Provision and Contingencies:		
Detail: 30.09.2017 / 30.09.2016		
Standard Restructured: -408.53 / -1033.96		
Sale to SC/RC: 0.00 / 105.50		
Written off & others: 33.08 / 68.44		
Sale to Arcil: 0.41 / 0.00		
Restructured CDR-FITL: -16.78 / -0.90	-391.82	-860.92
Total	**5592.41**	**5730.94**

25. Break-up of Floating Provisions is as follows:

(₹ in Crore)

Particulars	30.09.2017	30.09.2016
Opening balance	360.25	360.25
Quantum of floating provisions made during the half year	NIL	NIL
Purpose and amount of draw down made during the half year	NIL	NIL
Closing balance	**360.25**	**360.25**

26. Draw Down from Reserves:

(₹ in Lacs)

Sr. No.	Reserves	Amount drawn	Purpose
1	Other Reserves (Blocked Account)	NIL	No claim has been received in the period from 01.04.2017 to 30.09.2017 against Inter Branch Credit entries, Blocked and transferred to General Reserve.
2	Revaluation reserves	₹ 31.42	Depreciation on revalued portion of property.

27. Disclosure of complaints and unimplemented awards of Banking Ombudsman including customer complaints pertaining to ATM.

a. Customer Complaints

	Particulars	30.09.2017	30.09.2016
(a)	No. of complaints pending at the beginning of the year	15564	10239

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(b)	No. of complaints received during the half year, September 17	456407	225044
(c)	No. of complaints redressed during the half year September 17	446101	230084
(d)	No. of complaints pending at the end of half yearly September 17	25870	5199

b. Awards passed by the Banking Ombudsman

	Particulars	30.09.2017	30.09.2016
(a)	No. of unimplemented Awards at the beginning of the year	1*	0
(b)	No. of Awards passed by the Banking Ombudsman during the half year September 17	1	0
(c)	No. of Awards implemented during the half year September 17	1	0
(d)	No. of unimplemented Awards at the end of half year September 17	1*	0

* Appeal pending with RBI.

28. The Bank has issued a Letter of Comfort to Prudential Regulation Authority (PRA), the regulator in United Kingdom, committing that the bank shall provide financial support to its subsidiary, Punjab National Bank (International) Ltd., UK so that it meets its financial commitments as and when they fall due.

Apart from the above, the bank has not issued any letter of Comfort and therefore, there are no cumulative financial obligations under letter of comfort.

The Prudential Regulatory Authority (PRA), regulator of UK, has vide its letter dated 02.09.2015 put the Bank under 'watch list'. There are no specific restrictions or penalties. PNB has not infused any further capital during the quarter ended 30th September 2017.

29. Disclosure in respect of Insurance Business undertaken by the bank:

(₹ in Crore)

Particulars	30.09.2017	30.09.2016
Details of fees/brokerage/remuneration earned in respect of Insurance, Broking, Agency and Business including Mutual Fund Business undertaken by the bank during the quarter.		
(i) Life Insurance Business:	58.19	40.41
(ii) Non-life Insurance Business:	16.54	14.00
(iii) Mutual Fund Business	3.08	1.53
TOTAL	**77.81**	**55.94**

30. I. Concentration of Deposits, Advances, Exposures and NPAs:
(Information given in (a) to (c) is certified by the Management.)

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(a) **Concentration of Deposits**:

(₹ in Crore)

Particulars	30.09.2017	30.09.2016
Total Deposits of twenty largest depositors	22824.96	25450.28
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	3.59	4.43

(b) **Concentration of Advances**:

(₹ in Crore)

Particulars	30.09.2017	30.09.2016
Total Advances of twenty largest borrowers	86780.92	63673.66
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	20.04	15.37

(c) **Concentration of Exposures**:

(₹ in Crore)

Particulars	30.09.2017	30.09.2016
Total Exposures of twenty largest borrowers/customers	95904.71	71231.27
Percentage of Exposures to twenty largest borrowers/customers to Total Exposures of the bank on borrowers/customers	17.00	13.61

(d) **Concentration of NPAs**:

(₹ in Crore)

Particulars	30.09.2017	30.09.2016
Total Exposure to top four NPA accounts	9748.85	10121.05

(e) **Provisioning Coverage Ratio:**

Particulars	30.09.2017	30.09.2016
Provisioning Coverage Ratio	59.23 %	53.32%

II. Sector-wise advances:

(₹ in Crore)

Sl. No.	Sector	As on 30.09.2017			As on 30.09.2016		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector						

1.	Agriculture and allied activities	64530.50	6442.38	9.98	60647.07	4834.68	7.97
2.	Advances to industries sector eligible as priority sector lending	20180.92	3497.08	17.33	25552.95	4052.31	15.86
3.	Services	38504.41	3340.51	8.68	40036.56	2906.47	7.26
4.	Personal loans	15226.07	1045.66	6.87	14407.56	844.81	5.86
	Sub-total (A)	**138441.90**	**14325.63**	**10.35**	**140644.14**	**12638.27**	**8.99**
B	**Non Priority Sector**						
1.	Agriculture and allied activities	6001.75	309.68	5.16	2941.39	33.02	1.12
2.	Industry	134049.78	35377.33	26.39	123092.19	35481.84	28.83
3.	Services	110980.37	6340.46	5.71	113488.76	7306.84	6.44
4.	Personal loans	43512.87	1277.01	2.93	34039.22	1005.66	2.95
	Sub-total (B)	**294544.77**	**43304.48**	**14.70**	**273561.56**	**43827.36**	**16.02**
	Total (A+B)	**432986.67**	**57630.11**	**13.31**	**414205.70**	**56465.63**	**13.63**

III. Movement of NPAs:

(₹ in Crores)

Particulars	30.09.2017	30.09.2016
Gross NPAs Opening balance	55370.45	55818.33
Additions (Fresh NPAs) during the half year September 2017	10108.68	13911.58
Sub-total (A)	**65479.13**	**69729.91**
Less:		
(i) Up gradations	1252.01	1920.31
(ii) Recoveries (excluding recoveries made from upgraded accounts)	2819.19	7339.48
(iii) Technical /Prudent Write-offs	3777.82	4004.50
(iv) Write-offs other than those under (iii) above	NIL	NIL
Sub-total (B)	**7849.02**	**13264.29**
Gross NPAs Closing balance (A-B) as on 30.09.2017.	**57630.11**	**56465.62**

Detail of Technical write-offs and the recoveries made there on:

(₹ in Crores)

Particulars	As on 30.09.2017	As on 30.09.2016
Opening balance of Technical / Prudential written-off accounts	23559.30	16558.14
Add : Technical / Prudential write-offs during the half year September 2016	3956.55	5021.74
Sub-total (A)	**27515.85**	**21579.88**
Less : Recoveries made from previously technical / prudential written-off accounts during the half year	357.68	1520.55

September 2016 (B)		
Closing balance as on 30.09.2017 (A-B)	**27158.17**	**20059.33**

IV. Overseas Assets, NPAs and Revenue:

(₹ in Crores)

Particulars	**30.09.2017**	**30.09.2016**
Total Assets	87100.54	96041.31
Total NPAs (Gross)	2421.93	1825.53
Total Revenue	1107.47	1436.26

V. Off-balance sheet SPVs sponsored by the Bank (which are required to be consolidated as per accounting norms)

Bank has sponsored following SPV (Domestic as well as Overseas) as at 30.09.2017:

NIL

31. Reward Points of Credit Card & Debit Card

i) PNB Global Credit & Debit Cardholders are rewarded as and when they make purchases through usage of Credit & Debit Card. Reward Points are generated at the time of usage of Credit & Debit Card by Cardholder at Merchant Establishment. Card holder can redeem the accumulated reward points. The amount payable on account of reward points is charged to Profit and Loss account and credited to Sundry Provision Account on daily basis.

Position of outstanding reward points and provision regarding Credit Cards is as under:

Particulars	**As on 30.09.2017**	**As on 30.09.2016**
Balance Reward Points outstanding	194666284	133848657
Provision held for these points (₹ in Lacs)*	242.36	172.75

*The provision held against Rewards points in respect of Credit Cards has been worked out at ₹ 0.50 for 1 point. Based on past trend of redemption, provision has been made @ 25% of accumulated Reward points on estimated basis as in the previous year.

ii) **Position of outstanding reward points and provision thereon regarding Loyalty Reward Points- Debit Cards is as under:**

Particulars	**As on 30.09.2017**	**As on 30.09.2016**
Balance of loyalty reward points	2424375259	951804368
Provision held against reward points (₹ in Lacs)*	957.47	368.79

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*The provision held against Loyalty Reward points has been worked at ₹.0.25 for 1 point, which has further been valued at 15% on estimated basis as in the previous year.

32. Disclosures relating to Securitization

OUTSTANDING AMOUNT OF SECURITISED ASSETS:

Sl. No	Particulars			No/ ₹. in crore
1.	No of SPVs sponsored by the bank for securitization transactions			NIL
2.	Total amount of securitized assets as per books of the SPVs sponsored by the bank			NIL
3.	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet			NIL
	a)	Off-balance sheet exposures		
		First loss		
		Others		
	b)	On-balance sheet exposures		
		First loss		
		Others		
4	Amount of exposures to securitization transactions other than MRR			NIL
	a)	Off-balance sheet exposures		
		i)	Exposure to own securitizations	
			First loss	
			Others	
		ii)	Exposure to third party securitizations	
			First loss	
			Others	
	b)	On-balance sheet exposures		
		i)	Exposure to own securitizations	
			First loss	
			Others	
		ii)	Exposure to third party securitizations	
			First loss	
			Others	

33. Credit Default Swaps

Since the Bank is not using any proprietary pricing model for pricing CDS contracts, and it is over the counter contract (OTC), the price is determined by the market dynamics. As such no disclosure is to be made in terms of extant RBI guidelines.

34. Transfers to Depositor Education and Awareness Fund (DEAF):

In compliance to RBI Circular No.DBOD.NO.DEAF.CELL.BC.114/30.01.002/2013-14 dated 27.05.2014, the Bank has transferred the following amount to RBI, as per Depositor Education and Awareness Scheme, 2014.

(₹ in Crore)

Particulars	As on 30.09.2017	As on 30.09.2016
Opening balance of amounts transferred to DEAF	1196.33	NIL
Add : Amounts transferred to DEAF during the period	244.29	910.88
Less : Amounts reimbursed by DEAF towards claims	8.89	13.64
Closing balance of amounts transferred to DEAF as at 30.09.2017*	**1431.73**	**897.24**

*Reflected as "Contingent Liability - Others, items for which the bank is contingently liable" under Schedule 12 of the financial statements.

35. Unhedged Foreign Currency Exposure (UFCE):

The Bank has framed a policy to manage currency induced credit risk and has been incorporated in bank's Credit Management & Risk Policy 2017-18 as follows:

"In terms of RBI guidelines Bank should monitor the currency wise Un-hedged Foreign Currency Exposure in the books of borrowers at quarter ends along-with the Annualized Earnings Before Interest & Depreciation (EBID). The incremental provision (ranging from 0 to 80 bps on total credit exposure, over and above the standard asset provisioning) and capital requirement will depend on likely loss (due to foreign currency fluctuation), that borrowers may face due to their un-hedged forex exposure in their books. Bank shall maintain separate charge and provisioning requirement on account of such exposures which may impact the cost to the borrowers. Appropriate disclosures in the financial statements of the bank shall also be made."

(₹ in Crore)

Particulars	30.09.2017	30.09.2016
Incremental Provision	24.64	52.20
Incremental capital held	109.45	209.86

36. Intra-Group Exposures

(₹ in Crore)

	Particulars	30.09.2017	30.09.2016
a)	Total amount of intra-group exposures	3386.14	2761.68
b)	Total amount of top-20 intra group exposures.*(3 entities)	3386.14	2761.68
c)	Percentage of intra-group exposures to total exposure of the Bank on borrower/customers (As on **30.09.2017**).^	0.60 %	0.53%
d)	Details of breach of limits on intra-group exposures and regulatory action, if any.	NIL	NIL

*1) PNB Housing Finance Ltd. 2) PNB Gilts Ltd. 3. Principal PNB Asset Management Co. Pvt. Ltd.

^Total exposure of the bank are Rs. 564186.89 Crores as on **30.09.2017**.

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37. Liquidity Coverage Ratio

QUALITATIVE DISCLOSURE ON LIQUIDITY COVERAGE RATIO

The bank has implemented RBI guidelines on Liquidity Coverage Ratio (LCR) from 1st January 2015.

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be readily converted into cash at little/no loss of value to meet its liquidity needs for a 30 calendar day time horizon under a liquidity stress scenario.

LCR has two components:

i. The value of the stock of High Quality Liquid Assets (HQLA) – *The Numerator.*
ii. Total Net Cash Outflows: Total expected cash outflows minus Total expected cash inflows" in stress scenario for the subsequent 30 calendar days - *The denominator.*

Definition of LCR:

$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

The LCR requirement has become binding on the banks with the following minimum required level as per the time-line given below:

	Jan 1, 2015	Jan 1, 2016	Jan 1, 2017	Jan 1, 2018	Jan 1, 2019
Minimum LCR	60%	70%	80%	90%	100%

As at 30.09.2017, against the regulatory requirement of 80%, bank is maintaining LCR at 115.74% (average of daily observation over the previous Quarter) at consolidated level (including domestic & foreign subsidiaries).

The main drivers of LCR of the bank are High Quality Liquid Assets (HQLAs) to meet liquidity needs of the bank at all times and basic funding from retail and small business customers. The retail and small business customers contribute about 67.89% of total deposit portfolio of the bank which attracts low run-off factor of 5/10%.

Composition of High Quality Liquid Assets (HQLA)

HQLAs comprises of Level 1 and Level 2 assets. Level 2 assets are further divided into Level 2A and Level 2B assets, keeping in view their marketability.

Level - 1 assets are those assets which are highly liquid. For quarter ended September 30, 2017, the daily observation average over the previous quarter Level-1 asset of the bank includes Cash in Hand, Excess CRR, Government Securities in excess of SLR, sovereign securities besides MSF & FALLCR and Marketable securities totalling Rs. 116953.80 cr.

Level - 2A & 2B assets are those assets which are less liquid and their weighted amount comes to Rs. 8615.51 cr. Break-up of daily observation Average HQLA during quarter ended September 30, 2017 is given hereunder:

High Quality Liquid Assets (HQLAs)	Average % age contribution to HQLA
Level 1 Assets	
Cash in hand	1.32%
Excess CRR balance	1.56%
Government Securities in excess of minimum SLR requirement	38.44%
Government securities within the mandatory SLR requirement, to the extent allowed by RBI under MSF (presently to the extent of 2 per cent of NDTL)	9.15%
Marketable securities issued or guaranteed by foreign sovereigns having 0% risk-weight under Basel II Standardized Approach	1.49%
Facility to avail Liquidity for Liquidity Coverage Ratio – FALLCR (presently to the extent of 9 per cent of NDTL)	41.18%
Total Level 1 Assets	93.14%
Total Level 2A Assets	6.31%
Total Level 2B Assets	0.55%
Total Stock of HQLAs	100.00%

Concentration of Funding Sources

This metric includes those sources of fundings, whose withdrawal could trigger liquidity risks. It aims to address the funding concentration of bank by monitoring its funding requirement from each significant counterparty and each significant product / instrument. As per RBI guidelines, a "significant counterparty/Instrument/product" is defined as a single counterparty/Instrument/product or group of connected or affiliated counter-parties accounting in aggregate for more than 1% of the bank's total liabilities.

The bank has no significant counterparty (deposits/borrowings) as on 30.09.2017. The share of largest depositor in bank's total deposits is around 0.82% whereas the contribution of top 20 depositors is around 3.39% only. The significant product / instrument includes Saving Fund, Current deposit, Core Term Deposit, and Inter-bank term deposit, the funding from which are widely spread and cannot create concentration risk for the bank.

Derivative exposure

The bank has low exposure in derivatives having negligible impact on its liquidity position.

Currency Mismatch

As per RBI guidelines, a currency is considered as "significant" if the aggregate liabilities denominated in that currency amount to 5 per cent or more of the bank's total liabilities. In our case, only USD (11.26% of bank's total liabilities) falls in this criteria whose impact on total outflows in LCR horizon can be managed easily.

Degree of centralization of liquidity management and interaction between group's units

The group entities are managing liquidity on their own. However, the bank has put in place a group-wide contingency funding plan to take care of liquidity requirement of the group as a whole in the stress period.

QUANTITATIVE DISCLOSURE (On consolidated basis (including domestic & foreign subsidiaries)					
					Rs. in Crore
		30.09.2017		**30.09.2016**	
		Total Unweighted Value (average)*	**Total Weighted Value (average)***	**Total Unweighted Value (average)****	**Total Weighted Value (average)****
High Quality Liquid Assets					
1	**Total High Quality Liquid Assets (HQLA)**		**125569.33**		**94430.79**
Cash Outflows					
2	**Retail deposits and deposits from small business customers of which :**	**431857.56**	**40202.98**	**395962.14**	**30697.54**
(i)	**Stable deposits**	**59655.47**	**2982.77**	**177973.52**	**8898.68**
(ii)	**Less stable deposits**	**372202.09**	**37220.21**	**217988.61**	**21798.86**
3	**Unsecured wholesale funding, of which:**	**155061.65**	**91724.01**	**143823.09**	**86768.97**
(i)	**Operational deposits (all counterparties)**	**0.00**	**0.00**	**0.00**	**0.00**
(ii)	**Non-operational deposits (all counterparties)**	**155061.65**	**91724.01**	**143823.09**	**86768.97**
(iii)	**Unsecured debt**	**0.00**	**0.00**	**0.00**	**0.00**
4	**Secured wholesale funding**		**0.00**		**0.00**
5	**Additional requirements, of which**	**21740.25**	**17814.65**	**8741.58**	**7645.44**
(i)	**Outflows related to derivative exposures and other collateral requirements**	**17419.18**	**17419.18**	**7541.99**	**7541.99**
(ii)	**Outflows related to loss of funding on debt products**	**0.00**	**0.00**	**0.00**	**0.00**
(iii)	**Credit and liquidity facilities**	**4321.07**	**395.47**	**1199.59**	**103.44**
6	**Other contractual funding obligations**	**0.00**	**0.00**	**0.00**	**0.00**

7	Other contingent funding obligations	144837.68	5581.68	137810.29	5299.56
8	Total Cash Outflows		155323.33		130411.51
	Cash Inflows				
9	Secured lending (e.g. reverse repos)	0.00	0.00	0.00	0.00
10	Inflows from fully performing exposures	21717.27	19046.54	29172.31	26254.78
11	Other cash inflows	27782.17	27782.17	14419.56	14419.56
12	Total Cash Inflows	49499.44	46828.71	43591.87	40674.34
	Total Adjusted Value				
13	TOTAL HQLA		125569.33		94430.79
14	Total Net Cash Outflows		108494.62		89737.17
15	Liquidity Coverage Ratio (%)		115.74%		105.23%
Simple averages of Daily observations over previous quarter					
*** Simple averages of monthly observations over previous quarter*					

38. Other Notes

a	As per RBI guidelines, the Bank has worked out the amount of inter Branch Credit entries outstanding for more than Five years to be transferred to a Blocked Account. Accordingly, a sum of ₹ 20.52 Crores (net of adjustments since carried out) has been included under "Other Liabilities-others" in Schedule-5. No claim has been received in the period from 01.04.2017 to 30.09.2017 against Inter Branch Credit entries, Blocked and transferred to General Reserve.
b	Premises includes properties amounting to ₹ 2.71 crore (Net of Depreciation) (previous year ₹ 2.90 crore) Cost ₹ 7.36 crore} (previous year ₹ 7.47 crore) having Revalued amount of ₹ 98.77 crore (net of Depreciation upto Sept 17) are awaiting registration of title deeds. Capital work in progress of ₹ 414.94 crore. A conversion fee of Rs. 5.29 crore deposited with Delhi Development Authority for a leasehold property is capitalized, free hold deed is pending for execution at DDA. An extension fee of Rs. 1.95 Crore paid to HUDA for a property is capitalized as per policy, construction on the plot is yet to be started.
c	Tax Paid in advance/Tax deducted at source appearing under "Other Assets includes disputed amount adjusted by the department/paid by the Bank in respect tax demands for various assessment years. No provision is considered necessary in respect of disputed Income Tax demands of ₹ 6.31 Crore (previous year ₹ 869.53 Crore) as in the bank's view, duly supported by expert opinion and/or decision in bank's own appeals on same issues, additions / disallowances made are not sustainable.
d	As per the information compiled and as certified by the Management, the guidelines given in Micro, Small and Medium Enterprises Development Act 2006 have been complied with for purchases made during the half year ended September 2017 (FY 2017-18) and payments have been made to the Vendors in time as per Act. Since there had been no delay in payment, so no penal interest

	has been paid in the half year ended September 2017 (FY 2017-18).
e	In compliance of RBI letter no. DBR.NO.BP.13018/21.04.048/2015-16 dated 12.04.2016, Bank has made a provision of ₹ 205.90 crore being 15 % of the existing outstanding of ₹ 1372.65 crore as on 30.09.2017 under food credit availed by State Government of Punjab.
f	Information under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in terms of the provisions of Regulation 52(4) for unsecured bonds issued by bank excluding Debt instruments eligible for meeting capital requirement.

Sl.No.	PNB BONDS SERIES	ISIN NO.	DATE OF PAYMENT OF INTEREST	Whether the same has been paid or not	Rating ICRA	Rating CARE	Rating India Rating	Rating CRISIL	Remark
1	Long Term Bonds (Borrowing) series I (8.23 %)	INE 160A 08068	09.02.2017	Paid	NA	AA+	AAA	AAA	NIL
2	Long Term Bonds (Borrowing) series II (8.35 %)	INE 160A 08084	24.03.2017	Paid	AA+	AA+	NA	AAA	NIL

g.	The Financial statements for the Period ended 30th September, 2017 have been prepared in accordance with AS 25 Interim Financial Reporting issued by ICAI, following the same Accounting Policies and practices as those followed in the Annual Financial Statements for the year ended 31st March 2017.
h.	The Financial statements have been reviewed by the Audit Committee of Board and approved by the Committee of Directors for capital raising authorized by the Board for this purpose in the meeting held on 04.12.2017. The same have been subjected to review by the Statutory Central Auditors of the Bank, in line with the guidelines issued by the Reserve Bank of India and as per the requirement of Listing Agreement with Stock Exchanges.
i.	The Financial statements of the Bank have been arrived at after considering provisions for Non-performing Assets, Standard Assets, Restructured Advances, Standard derivative exposures and Investment depreciation on the basis of extant guidelines issued by Reserve Bank of India.
j.	Provisions for Employee benefits pertaining to Pension, Gratuity, Leave Encashment, Depreciation and other usual and necessary provisions including Unhedged Foreign Currency exposure and Income Tax have been made on estimated basis for period ended 30th September, 2017.

39	Figures of the previous year have been regrouped / rearranged / reclassified wherever necessary.

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants
R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS
HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants
SURI & CO. Chennai 004283 S Chartered Accountants
SPMG & COMPANY New Delhi 509249 C Chartered Accountants
पंजाब नैशनल बैंक वित्त प्रभाग 5, संसद मार्ग, नई दिल्ली

PUNJAB NATIONAL BANK

CONDENSED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30th SEPTEMBER 2017

(INR ' 000)

	Particulars		Sep-17	Sep-16
A.	Cash Flow from Operating Activities	(A)	(4,99,52,675)	4,59,77,184
B.	Cash flow from (used in) Investing Activities	(B)	(1,16,35,308)	(15,45,757)
C.	Cash flow from (used in) Financing Activities	(C)	9,80,555	(20,51,254)
	Net Change in Cash and Cash Equivalents	**(A+B+C)**	**(6,06,07,428)**	**4,23,80,173**
	Cash and Cash Equivalents at the beginning of the year		88,33,16,470	75,62,30,900
	Cash and Cash Equivalents at the end of the year		82,27,09,042	79,86,11,073

Notes :-

1 Direct taxes paid (net of refund) are treated as arising from operating activities and are not bifurcated between investing and financing activities.

2 All figures in minus represents "Cash Out Flow"

P K VARSHNEY
CHIEF MANAGER

S K JAIN
DY. GENERAL MANAGER

P K SHARMA
GENERAL MANAGER

MAHESH BABOO GUPTA
DIRECTOR

SUDHIR NAYAR
DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

SUNIL MEHTA
MANAGING DIRECTOR & C.E.O.

As per our Report of even date

For Chhajed & Doshi
Chartered Accountants
FRN 101794W

(Kiran K Daftary)
Partner
M No.010279

For R Devendra Kumar & Associates
Chartered Accountants
FRN 114207W

(Neeraj Golas)
Partner
M No. 074392

For Hem Sandeep & Co.
Chartered Accountants
FRN 009907N

(Sandeep Jain)
Partner
M No. 087977

For Suri & Co.
Chartered Acc
FRN 004283S

(R Mahesh)
Partner
M No. 024775

For SPMG & Co.
Chartered Accountants
FRN 509249C

(Avadesh Gupta)
Partner
M No.516769

Date : 04.12.2017
Place: New Delhi

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF PUNJAB NATIONAL BANK GROUP

To
The Members of Punjab National Bank,

1. We have audited the attached Consolidated Balance Sheet of Punjab National Bank, its subsidiaries, associates and Joint Venture (collectively known as PNB Group) as at 31st March 2017, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information annexed thereto, in which the following are incorporated:

   i) Audited accounts of Punjab National Bank (The Bank), audited by us, vide our audit report dated May 16, 2017,
   ii) Audited accounts of 4 Subsidiaries and 6 associate, audited by other auditors and
   iii) Unaudited accounts of 1 Subsidiaries, 4 Associates and 1 Joint Venture.

2. We did not audit the financial statements of subsidiaries viz. (i) PNB Gilts Limited (ii) PNB Principal Insurance Broking Pvt Ltd. (iii) Punjab National Bank (International) Limited (iv) PNB Investment Services Limited & (v) Druk PNB Bank Ltd. whose financial statements reflect total assets of Rs.15348.17 Crores as at 31st March 2017 and total revenues of (Rs.555.94) Crores for the year then ended. These financial statements and other financial information have been audited by their respective auditors whose reports have been furnished to us and our opinion is based solely on the reports of the said auditors.

3. a). The Financial Statements of 1 Regional Rural Banks, 4 Associates and 1 Joint Venture which have not been audited contribute Rs.47.84 Crore to PNB group for the year ended 31.03.2017.
   b). Our opinion is based on the Un-audited financial statements of one Regional Rural Bank, 4 Associates and 1 Joint Venture stated in Footnote (2.2) to note No.2 to Notes to Accounts in Schedule 18 as well as six audited associate of PNB group.
   c). In the absence of full information regarding impact of difference in accounting policies followed by the parent, subsidiaries and associates (including RRBs), no adjustments, have been carried out. Regional Rural Banks (associates) have not followed Accounting Standard -15 (Revised), issued by the Institute of Chartered Accountants of India, for certain employees' benefits but have accounted for the same on adhoc/pay as you go basis. In like manner, unrealized profits/ losses resulting from transactions between the parent and its subsidiaries and the associates, if any, to the extent of the parent's interest in the subsidiaries and associates have not been eliminated. Thus, the effect on profit for the year and other consequential effects could not be ascertained.

4. Subject to our observations in paragraph 2 to 3 above, we report that the Consolidated Financial Statements have been prepared by the management of PNB Group in accordance with the requirements of Accounting Standard - 21 (Consolidated Financial Statements) and Accounting Standard – 23 (Accounting for Investments in Associates in Consolidated Financial Statements) issued by the Institute of Chartered Accountants of India and the requirements of the Reserve Bank of India.

Management's Responsibility for the Financial Statements:

5. These Consolidated Financial Statements are the responsibility of the Bank's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components, in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and to discuss the information as may be necessary to conform to Form 'A & B' respectively of the Third Schedule to the Banking Regulation Act, 1949. These financial statements comply with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

6. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by The Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

7. An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment including the assessment of the risks of material misstatement of the financial misstatements whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

9. Based on our audit and on consideration of reports of other auditors on separate financial statements and other financial information of the Subsidiaries, and Associates as referred in Para 2 above, and to the best of our information and according to the explanations given to us, we are of the opinion that:

a) The Consolidated Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the PNB Group as at 31st March, 2017 in conformity with accounting principles generally accepted in India;

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907N Chartered Accountants

SURI & CO. Chennai 004283 S Chartered Accountants

SPMG & COMPANY New Delhi Chartered Accountants

b) The Consolidated Profit and Loss Account, read with the notes thereon shows a true balance of Profit in the PNB Group, in conformity with accounting principles generally accepted in India, for the year ended on that date; and

c) The Consolidated Cash Flow Statement gives a true and fair view of the cash flows of the PNB Group for the year ended on that date.

Emphasis of Matter

10. Without qualifying our opinion, we draw attention to Note no. 4.5 C regarding valuation of Plan Assets of long-term benefits , resulting in excess of fair value of plan assets over present value of obligation amounting to Rs.2026.60 crores credited to "Payments to and Provisions for Employees- Employee Cost " with consequential impact on results for the year.

Report on Other Legal and Regulatory Requirements:

11. The Balance Sheet and the Profit and Loss Account have been drawn up in Form 'A' and 'B' respectively of the Third Schedule to the Banking Regulation Act, 1949.

12. In our opinion, the Consolidated Balance Sheet, Profit and Loss Account and the Cash Flow Statement of the PNB Group comply with the applicable Accounting Standards.

FOR CHHAJED & DOSHI
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 101794W

SUDESH PUNHANI
PARTNER
M.NO.017222

FOR R. DEVENDRA KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 114207W

NEERAJ GOLAS
PARTNER
M.NO.074392

FOR HEM SANDEEP & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.009907N

MANISH GUPTA
PARTNER
M.NO.092257

FOR SURI & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004283S

R. MAHESH
PARTNER
M.NO.024775

FOR SPMG & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.509249C

SATISH CHANDER
PARTNER
M.NO.087562

Place: New Delhi
Date: May 16, 2017

CONSOLIDATED BALANCE SHEET OF PUNJAB NATIONAL BANK AS ON 31ST MARCH '2017

(₹ in Crore)

CAPITAL & LIABILITIES	Schedule	As on 31.03.2017	As on 31.03.2016
Capital	1	425.59	392.72
Reserves & Surplus	2	42739.27	41411.53
Minority Interest	2A	780.63	728.65
Deposits	3	629650.86	570382.64
Borrowings	4	43336.01	81673.74
Other Liabilities and Provisions	5	16378.55	18203.68
	TOTAL	733310.91	712792.96
ASSETS			
Cash and Balances with Reserve Bank of India	6	25410.36	26492.19
Balances with Banks & Money at call & short notice	7	65968.73	52557.19
Investments	8	191527.16	165126.48
Loans & Advances	9	424230.49	446083.03
Fixed Assets	10	6297.76	5308.12
Other Assets	11	19876.41	17225.95
	TOTAL	733310.91	712792.96
Contingent Liabilities		338851.04	339168.04
Bills for Collection		25805.94	23255.66

T K BALAMUKUNDAN
DY. GENERAL MANAGER

S K JAIN
DY. GENERAL MANAGER

P K SHARMA
GENERAL MANAGER

SANJIV SHARAN
EXECUTIVE DIRECTOR

DR. RAM S SANGAPURE
EXECUTIVE DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

SUNIL MEHTA
MANAGING DIRECTOR & CEO

SUNIL MEHTA
CHAIRMAN

ANIL KUMAR KHACHI
DIRECTOR

DR. RABI N. MISHRA
DIRECTOR

MAHESH BABOO GUPTA
DIRECTOR

HIROO MIRCHANDANI
DIRECTOR

SUDHIR NAYAR
DIRECTOR

AS PER REPORT OF EVEN DATE

For Chhajed & Doshi
Chartered Accountants
FRN 101794W
(Sudesh Punhani)
Partner
M No. 017222

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(Neeraj Golas)
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(Manish Gupta)
Partner
M No. 092257

For Suri & Co.
Chartered Accountants
FRN 004283S
(R Mahesh)
Partner
M No. 024775

For SPMG & Co.
Chartered Accountants
FRN 509249C
(Satish Chander)
Partner
M No. 087562

Date : 16/05/2017
Place: New Delhi

CONSOLIDATED PROFIT & LOSS ACCOUNT OF PUNJAB NATIONAL BANK FOR THE PERIOD ENDED 31ST MARCH '2017

(₹ in Crore)

	Schedule	As on 31.03.2017	As on 31.03.2016
I. INCOME			
Interest earned	13	48058.08	50803.87
Other Income	14	9167.58	6099.63
	TOTAL	**57225.66**	**56903.50**
II. EXPENDITURE			
Interest expended	15	32722.31	34330.59
Operating expenses	16	9523.55	10349.88
Provisions and Contingencies		14078.67	15886.30
	TOTAL	**56324.53**	**60566.77**
Consolidated Net Profit for the year of the parent & subsidiaries before Minority Interest		901.13	(3,663.27)
Less : Minority Interest		51.98	179.69
Consolidated Net Profit for the year of the parent & subsidiaries after Minority Interest		849.15	(3,842.96)
Share of earnings in Associates (net)	17	338.09	153.19
Consolidated Net Profit for the year attributable		1187.24	(3,689.77)
Add : Brought forward consolidated profit attributable to the group		694.54	846.68
Add: Transferred from Capital Reserve		0.00	0.00
Profit available for Appropriation		**1881.78**	**(2,843.09)**
APPROPRIATIONS			
Transfer to Reserves (Net) :			
Statutory Reserve		377.49	35.32
Capital Reserve - Others		536.00	115.30
Investment Fluctuation Reserve		0.00	20.85
Other Reserve		-402.57	(4,097.25)
Special Reserve as per Income Tax		270.26	58.68
Dividend Including Dividend Tax			
Proposed Dividend for 2016-17		6.91	74.91
Interim Dividend		0.00	0
Corporate Social Responsibility		0.00	0.00
Balance transfer from provision for tax on Dividend		0.00	(5.80)
Balance carried over to consolidated Balance Sheet		1093.69	954.91
		1881.78	**(2,843.09)**
Earnings per Share (In Rs.) Non-Annualised		**5.78**	**(19.32)**
Accounting Policy & Notes on Accounts	18		

T K BALAMUKUNDAN
DY. GENERAL MANAGER

S K JAIN
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SUNIL MEHTA
MANAGING DIRECTOR & CEO

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DIRECTOR

Hiroo Mirchandani
HIROO MIRCHANDANI
DIRECTOR

Sudhir Nayar
SUDHIR NAYAR
DIRECTOR

AS PER REPORT OF EVEN DATE

For Chhajed & Doshi
Chartered Accountants
FRN 101794W

(Suresh Punhani)
Partner
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(Manish Gupta)
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M No. 092257

For Suri & Co
Chartered Accountants
FRN 004283S

(R Mahesh)
Partner
M No. 024775

For SPMG & Co.
Chartered Accountants
FRN 509249C

(Satish Chander)
Partner
M No. 087562

Date : 16/05/2017
Place: New Delhi

SCHEDULE 1 - CAPITAL

(₹ in Crore)

	As on 31.03.2017	As on 31.03.2016
Authorised Capital (1500,00,00,000 Equity shares of ₹ 2 each)	3000.00	3000.00
Issued & Subscribed (2127968258 (Previous year 1963597490 Equity Shares of ₹ 2 each	425.59	392.72
Paid up (2127968258 (Previous year 1963597490 Equity Shares of ₹ 2 each (Includes equity shares of 1383459223 ₹ 2 each held by Central Government)	425.59	392.72
TOTAL	**425.59**	**392.72**

SCHEDULE 2 - RESERVES & SURPLUS

	As on 31.03.2017		As on 31.03.2016	
I. Statutory Reserve				
Opening Balance	9867.28		9912.94	
Addition during the year	364.64		35.32	
Add/(Less) : Adjustment during the year	0.00		0.00	
		10231.92		**9948.26**
II. Capital Reserve				
a). Revaluation Reserve				
Opening Balance	2888.69		1387.55	
Addition during the year	977.10		1477.86	
Deduction during the year	58.49		20.63	
Add/(Less) : Adjustment during the year (being Depreciation on revalued portion of Property)	0.00		0.00	
		3807.30		**2844.78**
b. Others				
Opening Balance	1446.27		1330.97	
Addition during the year	536.00		115.30	
		1982.27		**1446.27**
IIA. Capital Reserve on consolidation (Net)		**66.53**		**66.53**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

		As on 31.03.2017		As on 31.03.2016
III. Revenue and Other Reserve				
a. Investment Fluctuation Reserve				
Opening Balance	433.52		454.37	
Addition during the year	0.00		0.00	
Less: Trf to P & L Account	0.00		0.00	
		433.52		**454.37**
b. Other Reserve				
Opening Balance	13791.02		18308.02	
Addition during the year	-402.57		(16.92)	
Less: Transferred to Special Reserve	0.00		0.00	
Less: Adjustment related to Prior years	833.66		4064.93	
Less: Transistory Liability (AS-15)	0.00		0.00	
Less: Payment for Interblocked accounts	0.00		0.00	
Add/(Less) : Adjustment during the year	0.00		(13.23)	
		12554.79		**14212.94**
c. Exchange Fluctuation Reserve				
Opening Balance	333.47		263.48	
Add: Addition during the year (Net)	28.21		10.26	
Add/(Less) : Adjustment during the year	-5.94		59.73	
		355.74		**333.47**
IV. Share Premium				
Opening Balance	8670.73		7729.48	
Addition during the year	2079.13		1987.11	
Add/(Less) : Adjustment during the year	0.00		0.00	
		10749.86		**9716.59**
V. Special Reserve				
Opening Balance	1193.66		1375.02	
Addition during the year	270.00		58.40	
Transfer from other reserve	0.00		0.00	
Add/(Less) : Adjustment during the year	0.00		0.00	
		1463.66		**1433.42**
VI. Foreign Currency Translation Reserve				
Opening Balance	0.00		0.00	
Addition during the year	0.00		0.00	
Deduction during the year	0.00		0.00	
		0.00		**0.00**
VII. Balance in Profit & Loss Account		**1093.68**		**954.90**
Total I,II,,III,IV,V,VI, VII		**42739.27**		**41411.53**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

	As on 31.03.2017	As on 31.03.2016
Schedule 2A - Minority Interest		
Minority Interest at the date on which the parent subsidiary relationship came into existence	149.25	149.25
Subsequent increase	631.38	579.40
Minority Interest at the date of balance sheet	**780.63**	**728.65**

SCHEDULE 3 - DEPOSITS

		As on 31.03.2017		As on 31.03.2016
A. I DEMAND DEPOSITS				
(i) From Banks	1693.23		3427.51	
(ii) From Others	45220.69		34575.30	
		46913.92		**38002.81**
II SAVINGS BANK DEPOSITS		**215405.64**		**170646.35**
III TERM DEPOSITS				
(i) From Banks	64417.81		65368.93	
(ii) From Others	302913.49		296364.55	
		367331.30		**361733.48**
TOTAL of I, II, III		**629650.86**		**570382.64**
B. (i) Deposits of branches In India		565477.68		559755.88
(ii) Deposits of branches outside India		64173.18		10626.76
TOTAL of i, ii		**629650.86**		**570382.64**

SCHEDULE 4 - BORROWINGS

	As on 31.03.2017	As on 31.03.2016
I. Borrowings in India		
(i) Reserve Bank of India	400.00	17756.00
(ii) Other Banks	1746.53	5014.44
(iii) Other Institutions and Agencies	2906.16	13998.55
(iv) Bonds (including Tier-I, Tier-II, Subordinated Debts	16995.65	26130.44
(v) Long Term Infrastructure Bonds	2800.00	2800.00
II. Borrowings Outside India	18487.67	15974.31
TOTAL of I, II	**43336.01**	**81673.74**
Secured Borrowings included in I & II above	**0.00**	**26274.61**

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW Chartered Accountants

SURI & CO. Chennai 004283 S Chartered Accountants

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

	As on 31.03.2017	As on 31.03.2016
I. Bills payable	2570.08	2520.05
II. Inter-office adjustments (net)	2.92	8.22
III. Interest accrued	1471.68	1913.79
IV. Others (including Provisions)	12333.87	13761.62
TOTAL OF I, II, III, IV	**16378.55**	**18203.68**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

	As on 31.03.2017		As on 31.03.2016	
I. Cash in hand (including Foreign Currency Notes)		**2108.69**		**2236.80**
II. Balance with Reserve Bank of India				
(i) in Current account	23111.69		24255.39	
(ii) in Other Accounts	189.98		0.00	
		23301.67		**24255.39**
TOTAL Of I, II		**25410.36**		**26492.19**

SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

	As on 31.03.2017		As on 31.03.2016	
I. In India				
(i) Balance with Banks:				
(a) In Current accounts	718.59		2394.29	
(b) In Other Deposit accounts	9713.15		8807.50	
		10431.74		**11201.79**
(ii) Money at Call and Short Notice:				
(a) with Banks	149.97		23.81	
(b) with Other Institutions	22000.00		2000.00	
		22149.97		**2023.81**
TOTAL (i & ii)		**32581.71**		**13225.60**
II. Outside India				
(i) In Current accounts	4214.31		2439.46	
(ii) In Other Deposit accounts	29107.86		36423.13	
(iii) Money at Call & Short Notice	64.85		469.00	
TOTAL		**33387.02**		**39331.59**
GRAND TOTAL (I & II)		**65968.73**		**52557.19**

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SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 8 - INVESTMENTS	As on 31.03.2017	As on 31.03.2016
I. Investments in India in		
(i) Government Securities	149409.91	129658.96
(ii) Other approved securities	188.30	188.30
(iii)Shares	5336.86	4510.25
(iv) Debentures and Bonds	25872.21	19805.38
(v) Investment in Associates (on equity method)	1298.15	1544.25
(vi) Others (Initial Capital in UTI and its units- 64 : (Various Mutual Funds & Commercial Paper etc.)	4244.59	4559.37
TOTAL of I	**186350.02**	**160266.50**
II. Investments outside India		
(i) Government Securities	2180.95	2008.85
(ii) Investment in Associates (on equity method)	991.07	965.75
(iii) Other investments	2005.12	1885.38
TOTAL of II	**5177.14**	**4859.98**
III. Investments in India		
I) Gross value of Investments	187762.66	161228.76
ii) Less: Aggregate of Provisions for Depreciation	1412.64	962.26
iii) Net Investment	**186350.02**	**160266.50**
IV. Investments outside India		
I) Gross value of Investments	5191.31	4859.98
ii) Less: Aggregate of Provisions for Depreciation	14.17	0.00
iii) Net Investments	**5177.14**	**4859.98**
GRAND TOTAL of (I), (II)	**191527.16**	**165126.48**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 9 - ADVANCES	As on 31.03.2017	As on 31.03.2016
A. i) Bills Purchased and discounted	29560.81	30226.17
ii) Cash Credits, overdrafts and loans repayable on demand	249431.82	233579.29
iii) Term Loans	145237.86	182277.57
Total	**424230.49**	**446083.03**
B. i) Secured by Tangible Assets (including advances against book debts)	365038.60	405610.84
ii) Covered by Bank/Govt.Guarantees	9837.65	10235.64
iii) Unsecured	49354.24	30236.54
Total	**424230.49**	**446083.02**
C. (I) Advances in India		
i) Priority Sector	133128.05	144324.59
ii) Public Sector	19939.11	18909.91
iii) Banks	1261.08	2022.43
iv) Others	216243.07	221650.87
Total	**370571.31**	**386907.80**
C. (II). Advances outside India		
i) Due from banks	28138.10	32111.57
ii) Due from others		
(a) Bills purchased & discounted	531.96	531.01
(b) Term Loans	4953.91	1307.91
(c) Others	20035.21	25224.71
Total	**53659.18**	**59175.20**
GRAND TOTAL of C (I) & C (II)	**424230.49**	**446083.00**

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SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 10 - FIXED ASSETS

	As on 31.03.2017		As on 31.03.2016	
I. Premises (including Land)				
-At cost as on 1st April of the year	4509.82		2863.17	
-Additions during the year	121.62		169.89	
Less :Deductions during the year	56.35		0.00	
-Revaluation	964.25		1477.86	
Less :Depreciation to date	504.22		434.28	
		5035.12		**4076.64**
II. Other Fixed Assets (including furniture & fixtures)				
-At cost as on 1st April of the year	3728.79		3578.87	
- Revaluation due to exchange rate fluctuatio	0.00		0.00	
-Additions during the year	506.13		501.94	
Less: Deductions during the year	112.54		281.37	
Less:Depreciation to date	2939.74		2698.58	
		1182.64		**1100.86**
III. Computer Software				
-At cost as on 1st April of the year	366.98		334.64	
-Revaluation due to exchange rate fluctuation	0.00		0.00	
- Additions during the year	18.08		52.30	
- Deductions during the year	0.00		0.04	
Less: Amortised to date	308.68		281.56	
		76.38		**105.34**
IV. Leased Assets				
-At cost as on 1st April of the year	25.68		63.70	
-Additions during the year	0.00		11.26	
-Deductions during the year	0.00		18.22	
Less:Depreciation to date	22.06		31.46	
		3.62		**25.28**
TOTAL OF I, II, III, IV		**6297.76**		**5308.12**

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SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 11 - OTHER ASSETS	As on 31.03.2017	As on 31.03.2016
I. Interest accrued	4604.90	4753.69
II. Tax paid in advance/tax deducted at source (net of provisions)	900.63	1629.98
III. Stationery and Stamps	10.14	9.48
IV. Non Banking assets acquired in satisfaction of claims	112.03	111.57
V. Deferred Tax asset (net)	6120.36	4612.63
VI. Others	8128.35	6108.60
TOTAL of I, II, III, IV, V, VI	**19876.41**	**17225.95**

SCHEDULE 12 - CONTINGENT LIABILITIES	As on 31.03.2017	As on 31.03.2016
I.(i) Claims against the Bank(Group) not acknowledged as debts	249.58	231.04
I (ii). Disputed income tax and interest tax demands under appeal, references, etc.	0.00	1160.69
II. Liability for partly paid investments	0.01	0.01
III. Liability on account of outstanding forward exchange contracts	253032.27	257774.01
IV. Guarantees given on behalf of constituents		
(a) In India	38240.86	32595.19
(b) Outside India	14039.35	13632.32
V. Acceptance, Endorsements and Other obligations	29368.51	31377.45
VI. Other items for which the Bank (Group) is contingently liable	3920.46	2397.34
TOTAL of I, II, III, IV, V, VI	**338851.04**	**339168.05**

(₹ in Crore)

SCHEDULE 13 - INTEREST AND DIVIDENDS EARNED

	As on 31.03.2017	As on 31.03.2016
I. Interest/discount on Advances/Bills	33701.40	37287.86
II. Income on Investments	12605.32	12539.80
III. Intt on balances with Reserve Bank of India & other inter-bank funds	1365.67	740.50
IV. Others	385.69	235.71
TOTAL of I, II, III, IV	**48058.08**	**50803.87**

SCHEDULE 14 - OTHER INCOME

		As on 31.03.2017		As on 31.03.2016
I. Commission, Exchange & Brokerage		**3242.59**		**2802.88**
II. Profit on sale of land, buildings and other assets	5.58		3.15	
Less:Loss on sale of land, buildings and other assets	0.13	**5.45**	0.77	**2.38**
III. Profit on Exchange Transaction	1487.32		1547.66	
Less:Loss on Exchange Transaction	881.75	**605.57**	1092.70	**454.96**
IV. Profit on sale of Investments	3025.68		1236.64	
Less:Loss on sale of investments	206.28	**2819.40**	245.61	**991.03**
V. Miscellaneous Income		**2494.57**		**1848.38**
TOTAL of I, II, III, IV, V, VI		**9167.58**		**6099.63**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS(PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 15 - INTEREST EXPENDED		As on 31.03.2017		As on 31.03.2016
I. Interest on Deposits		30138.50		30598.18
II. Interest on Reserve Bank of India/ inter-bank borrowings		290.75		1372.01
III. Others		2293.06		2360.40
TOTAL of I, II, III		**32722.31**		**34330.59**

SCHEDULE 16 - OPERATING EXPENSES				
I . Payment to and provisions for employees		5482.33		6564.49
II. Rent, Taxes and Lighting		702.25		655.06
III. Printing & Stationery		97.54		88.97
IV. Advertisement & Publicity		55.93		78.94
V. Depreciation on bank's property	488.93		433.78	
Less: Adjusted with Revaluation Reserve	58.49		20.63	
		430.44		**413.15**
VI. Directors' Fees, allowances and expenses		1.75		1.94
VII. Auditors' fees and expenses (including statutory auditor of subsidiaries, branch auditors' fees & expenses)		71.12		71.38
VIII. Law charges		91.01		96.32
IX. Postage,Telegrams,Telephones, etc.		179.88		154.04
X. Repairs & Maintenance		236.76		222.75
XI. Insurance		569.25		514.93
XII. Other expenditure		1605.29		1487.91
TOTAL of I to XII		**9523.55**		**10349.88**

SCHEDULE 17 - SHARE OF EARNINGS/LOSS IN ASSOCIATES		
(a) Share of Earnings in Associates in India	312.77	125.79
(b) Share of Earnings in Associates outside India	25.32	27.40
TOTAL of (a & b)	**338.09**	**153.19**

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SCHEDULE 18 (Consolidated – 31.03.2017)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. BASIS OF PREPARATION:

The consolidated financial statements have been prepared on historical cost basis and conform, in all material aspects, to Generally Accepted Accounting Principles (GAAP) in India unless otherwise stated encompassing applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time, Banking Regulation Act 1949, Companies Act, 2013, Accounting Standards (AS) and pronouncements issued by The Institute of Chartered Accountants of India (ICAI) and prevailing practices in Banking industry in India.

In respect of foreign entities, statutory provisions and practices prevailing in respective foreign countries are complied with except as specified elsewhere.

The financial statements have been prepared on going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated.

Use of Estimates

The preparation of consolidated financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

Future results could differ from these estimates.

Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

Any revision to the accounting estimates is recognised prospectively in the current and future periods unless otherwise stated.

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2. CONSOLIDATION PROCEDURES:

Subsidiaries:

i) PNB Gilts Ltd.
ii) Punjab National Bank (International) Ltd., UK
iii) PNB Investment Services Ltd.
iv) Druk PNB Bank Ltd, Bhutan.
v) PNB Insurance Broking Pvt Ltd*.

*Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

Associates:

i) Principal PNB Asset Management Company Pvt. Ltd.
ii) Principal Trustee Company Private Limited
iii) PNB Metlife India Insurance Company Ltd.
iv) PNB Housing Finance Ltd.
v) JSC Tengri Bank, Almaty, Kazakhstan
vi) Madhya Bihar Gramin Bank, Patna.
vii) Sarva Haryana Gramin Bank, Rohtak
viii) Himachal Pradesh Gramin Bank, Mandi
ix) Punjab Gramin Bank, Kapurthala
x) Sarva UP Gramin Bank, Meerut.

Joint Venture:

i) Everest Bank Limited, Kathmandu Nepal

2.1 Consolidated financial statements of the Group (comprising of 5 Subsidiaries, 10 Associates and 1 Joint Venture as per detail given above) have been prepared on the basis of:

i. Audited financial statements of Punjab National Bank (Parent/the Bank),

ii. As per AS 21, Line by line aggregation of like items of assets, liabilities, income and expenses of subsidiaries with the respective item of the Parent after eliminating material intra-group balances/transactions, unrealized profit/losses and making necessary adjustments, wherever required, to conform to uniform accounting policies, based on data received from these subsidiaries duly audited by their respective auditors. The financial statements of the subsidiaries are drawn up to the same reporting date as that of Parent i.e.31st March 2017.

iii. Foreign currency translation of overseas subsidiaries have been done as under:

(i) Income and Expenditure – at weighted average rates prevailing during the year
(ii) Assets and Liabilities - at the year-end rates

The resultant foreign currency translation difference, whether gain or loss, has been included under Reserves and Surplus - Foreign Currency Translation Reserve.

iv .Investments in associates, where the group holds 20% or more of the voting power, have been accounted for using the equity method in terms of Accounting Standard – 23 issued by The Institute of Chartered Accountants of India.

v. In the absence of full information regarding impact of differences in accounting policies followed by the Parent, subsidiaries and associates, no adjustments have been carried out. In like manner, unrealized profits and losses resulting from transactions between the Parent , the subsidiaries and associates, if any, to the extent of the Parent's interest in the subsidiaries and associates have not been eliminated .Financial statements received from these subsidiaries and associates form the sole basis for their incorporation in these Consolidated Financial Statements.

2.2 The difference between cost to the Group of its investment in the subsidiaries and the group's portion of the equity of the subsidiaries is recognized as Goodwill/Capital Reserve.

2.3 Minority interest in the net assets of consolidated subsidiaries consist of:

a) The amount of equity attributable to the minority at the date on which investments in a subsidiary is made; and
b) The minority share of movements in equity since date of parent-subsidiary relationship came into existence.

SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE PARENT.

3. REVENUE RECOGNITION

3.1 Income & expenditure (other than items referred to in paragraph 3.5) are generally accounted for on accrual basis.

3.2 Income from Non- Performing Assets (NPAs), comprising of advances, and investments, is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices (hereafter collectively referred to as Regulatory Authorities).

3.3 Recoveries in NPA accounts (irrespective of the mode / status / stage of recovery actions) are appropriated in the following order of priority : -

a) Expenditure/out of pocket expenses incurred for recovery (earlier recorded in memorandum dues);
b) Principal irregularities i.e. NPA outstanding in the account.
c) Towards the interest irregularities/accrued interest.

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3.4 The sale of NPA is accounted as per guidelines prescribed by RBI and as disclosed under Para 5.4.

3.5 Commission (excluding on Government Business), interest on overdue bills, exchange, locker rent, income from merchant banking transactions and Income on Rupee Derivatives designated as "Trading" are accounted for on realization and insurance claims are accounted for on settlement.

3.6 In case of suit filed accounts, related legal and other expenses incurred are charged to Profit & Loss Account and on recovery the same are accounted for as such.

3.7 Income from interest on refund of income tax is accounted for in the year the order is passed by the concerned authority.

3.8 Lease payments including cost escalation for assets taken on operating lease are recognised in the Profit and Loss Account over the lease term in accordance with the AS 19 (Leases) issued by ICAI.

3.9 Provision for Reward Points on Debit/Credit cards is made based on the accumulated outstanding points in each category.

3.10 Interest on unpaid and unclaimed matured term deposits is accounted for at savings bank rate.

3.11 Dividend is accounted for as and when the right to receive the dividend is established.

4. INVESTMENTS

4.1 The transactions in Securities are recorded on "Settlement Date".

4.2 Investments are classified into six categories as stipulated in form A of the third schedule to the Banking Regulation Act, 1949.

4.3 Investments have been categorized into "Held to Maturity", "Available for Sale" and "Held for Trading" in terms of RBI guidelines as under:

(a) Securities acquired by the Bank with an intention to hold till maturity are classified under "Held to Maturity".

(b) The securities acquired by the Bank with an intention to trade by taking advantages of short-term price/ interest rate movements are classified under "Held for Trading".

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(c) The securities, which do not fall within the above two categories, are classified under "Available for Sale"

4.4 **Investments in subsidiaries, joint ventures and associates are classified as HTM.**

4.5 Transfer of securities from one category to another is carried out at the lower of acquisition cost/ book value/ market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for.

However, transfer of securities from HTM category to AFS category is carried out on book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

4.6 In determining acquisition cost of an investment

a. Brokerage / commission received on subscription is deducted from the cost of securities.

b. Brokerage, commission, Securities Transaction Tax (STT) etc. paid in connection with acquisition of securities are treated as revenue expenses upfront and excluded from cost.

c. Interest accrued up to the date of acquisition/sale of securities i.e. broken — period interest is excluded from the acquisition cost/sale consideration and the same is accounted in interest accrued but not due account.

d. Cost is determined on the weighted average cost method for all categories of investments.

4.7 Investments are valued as per RBI/ FIMMDA guidelines, on the following basis:

Held to Maturity

i) Investments under "Held to Maturity "category are carried at acquisition cost.

Wherever the book value is higher than the face value/redemption value, the premium is amortized over the remaining period to maturity on straight line basis. Such amortisation of premium is **reflected in Interest Earned** under the head " Income on investments" as a deduction.

ii) Investments in subsidiaries/joint ventures/associates are valued at carrying cost less diminution, other than temporary in nature for each investment individually.

iii) Investments in sponsored regional rural banks are valued at carrying cost.

iv) Investment in Venture Capital is valued at carrying cost.

v) Equity shares held in HTM category are valued at carrying cost.

Available for Sale and Held for Trading

a)	**Govt. Securities**	
	I Central Govt. Securities	At market prices/YTM as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)
	II State Govt. Securities	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines.
b)	Securities guaranteed by Central / State Government, PSU Bonds (not in the nature of advances)	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines
c)	Treasury Bills	At carrying cost
d)	Equity shares	At market price, if quoted, otherwise at break up value of the Shares as per latest Balance Sheet (not more than one year old), otherwise at Re.1 per company
e)	Preference shares	At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per RBI/FIMMDA guidelines.
f)	Bonds and debentures (not in the nature of advances)	At market price, if quoted, or on appropriate yield to maturity basis as per RBI/FIMMDA guidelines.
g)	Units of mutual funds	As per stock exchange quotation, if quoted; at repurchase price/NAV, if unquoted
h)	Commercial Paper	At carrying cost
i)	Certificate of Deposits	At carrying cost
j)	Security receipts of ARCIL	At net asset value of the asset as declared by ARCIL
k)	Venture Capital Funds	At net asset value (NAV) declared by the VCF
l)	Other Investments	At carrying cost less diminution in value

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The above valuation in category of Available for Sale and Held for Trading is done scrip wise on quarterly basis and depreciation/appreciation is aggregated for each classification. Net depreciation for each classification, if any, is provided for while net appreciation is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

4.8 Investments are subject to appropriate provisioning/ de-recognition of income, in line with the prudential norms of Reserve Bank of India for NPI classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities. For NPI in preference share, debentures and bonds, in addition to valuation as above, further provision is made on Sub-standard and Doubtful assets as per NPA provisioning norms.

If any credit facility availed by an entity is NPA in the books of the Bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa. However, in respect of NPI preference share where the dividend is not paid, the corresponding credit facility is not treated as NPA.

4.9 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of investments in "Held to Maturity" category, an equivalent amount (net of taxes and amount required to be transferred to Statutory Reserve) is appropriated to "Capital Reserve Account"

4.10 Securities repurchased/resold under buy back arrangement are accounted for at original cost.

4.11 The securities sold and purchased under Repo/Reverse Repo are accounted as Collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/purchase transactions and such movement of securities is reflected using the Repo/Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo Account is classified under schedule 4 (Borrowings) and balance in Reverse Repo Account is classified under Schedule7 (Balance with Banks and Money at Call & Short Notice).The same is also applicable to LAF with RBI.

4.12 The derivatives transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market. As per RBI guidelines, different categories of swaps are valued as under: -

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Hedge Swaps

Interest rate swaps which hedge interest bearing asset or liability are accounted for on accrual basis except the swaps designated with an asset or liability that are carried at market value or lower of cost in the financial statement.

Gain or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset/ liabilities.

Trading Swaps

Trading swap transactions are marked to market with changes recorded in the financial statements.

Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

4.13 **Foreign currency options**

Foreign currency options written by the bank with a back-to-back contract with another bank are not marked to market since there is no market risk.

Premium received is held as a liability and transferred to the Profit and Loss Account on maturity/cancellation.

5. **LOANS / ADVANCES AND PROVISIONS THEREON:**

5.1 Advances are classified as performing and non-performing assets; provisions are made in accordance with prudential norms prescribed by RBI.

5.1 (a) Advances are classified : Standard, Sub Standard, Doubtful and Loss assets borrower wise.

5.1(b) Advances are stated net of specific loan loss provisions, provision for diminution in fair value of restructured advances.

5.2 In respect of foreign offices, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

Loans and advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country.

5.3 Financial Assets sold are recognized as under:

(a) *For Sale of financial assets sold to SCs/RCs*

(i) If the sale to SCs/RCs is at a price below the Net Book Value (NBV), (i.e. Book Value less provisions held), the shortfall should be debited to the Profit & Loss account of that year. *Bank can also use countercyclical / floating provisions for meeting the shortfall on sale of NPAs i.e when the sale is at a price below the NBV.*

However, for assets sold on or after 26.02.2014 and upto 31.03.2016, as incentive for early sale of NPAs, bank can spread over any shortfall, if the sale value is lower than the NBV, over a period of two years. However, assets sold from 01.04.2016 to 31.03.2017, shortfall is to be amortized over a period of only four quarters from the quarter, in which the sale took place.

(ii) If the sale is for a value higher than the NBV, Bank can reverse the excess provision on sale of NPAs to its profit and loss account in the year, the amounts are received. However, Bank can reverse excess provision (when the sale is for a value higher than the NBV) arising out of sale of NPAs, only when the cash received (by way of initial consideration and/or redemption of SRs/PTCs) is higher than the NBV of the asset. Further, reversal of excess provision will be limited to the extent to which cash received exceeds the NBV of the asset.

(b) *For Sale of financial assets sold to Other Banks/NBFCs/FIs etc.*

(i) In case the sale is at a price below the Net Book Value (NBV) i.e. Book Value less provision held, the shortfall should be debited to the Profit & Loss A/c of that year.

(ii) In case the sale is for a value higher than the Net Book Value (NBV) i.e. Book Value less provision held, the excess provision shall not be reversed but will be utilized to meet the shortfall/loss on account of sale of other NPAs.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

5.4 For restructured/rescheduled advances, provisions are made in accordance with guidelines issued by RBI.

In respect of non-performing loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

5.5 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions – Others" and are not considered for arriving at the Net NPAs.

5.6 In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ` 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

5.7 Provision for Country Exposure:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorized into seven risk categories, namely, insignificant, low, moderately Low, moderate, moderately high, high & very high and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the "Other liabilities & Provisions – Others".

5.8 An additional provision of 2% (in addition to country risk provision that is applicable to all overseas exposures) against standard assets representing all exposures to step down subsidiaries of Indian Corporates has been made to cover the additional risk arising from complexity in the structure, location of different intermediary entities in different jurisdictions exposing the Indian Company, and hence the Bank, to a greater political and regulatory risk. (As per RBI Cir.No. RBI/2015.16/279 DBR.IBD.BC No. 68/23.37.001/2015-16 dated 31.12.2015).

6. FIXED ASSETS

6.1 Fixed assets are stated at historical cost less accumulated depreciation/amortisation, wherever applicable, except those premises, which have been revalued. The appreciation on revaluation is credited to revaluation reserve and incremental depreciation attributable to the revalued amount is deducted therefrom.

6.2 Software is capitalized and clubbed under Intangible assets.

6.3 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset till the time of capitalization. Subsequent expenditure/s incurred on the assets are capitalised only when it increases the future benefits from such assets or their functioning capability.

6.4 DEPRECIATION

A. Depreciation on assets (including land where value is not separable) is provided on straight-line method based on estimated life of the asset, except in respect of computers where it is calculated on the straight-line method, at the rates prescribed by RBI.

B. Depreciation on assets has been provided at the rates furnished below:-

Particulars	Rate of Depreciation
Land acquired on perpetual lease where no lease period is mentioned	Nil
Land acquired on lease where lease period is mentioned	Over lease period
Building	
• Constructed on free hold land and on leased land, where lease period is above 40 years	2.50%
• Constructed on leased land where lease period is below 40 years.	Over lease period
Built-up Assets taken over from erstwhile New Bank of India & Nedungadi Bank Ltd	4.00%
Furniture and fixtures- Steel articles	5.00%
Furniture and fixtures-wooden articles	10.00%
Mattresses	20.00%
Mobile Phone Instruments	33.33%
Machinery, electrical and miscellaneous articles	15.00%
Motor cars and cycles	15.00%
Computers, ATMs and related items, laptop, i pad	33.33%
Computer Application Software – Intangible Assets	
- Up to Rs. 5,000	Charged to Revenue
- Others	20.00%

C. Depreciation on fresh additions to assets other than bank's own premises is provided from the month in which the assets are put to use and in the case of assets sold/disposed off during the year, up to the month preceding the month in which it is sold/ disposed off.

D. The depreciation on bank's own premises existing at the close of the year is charged for full year. The construction cost is depreciated only when the building is complete in all respects. Where the cost of land and building cannot be separately ascertained, depreciation is provided on the composite cost, at the rate applicable to buildings.

E. In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year(s).

7. IMPAIRMENT OF ASSETS

The carrying costs of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors.

An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, if any, depreciation is provided on the revised carrying cost of the asset over its remaining useful life.

A previously recognized impairment loss is increased or reversed depending on changes in circumstances.

However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

8. EMPLOYMENT BENEFITS

- **PROVIDENT FUND:**

Provident fund is a defined contribution scheme as the Bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contribution are charged to Profit & Loss A/c.

- **GRATUITY:**

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

- **PENSION:**

Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

The Bank operates a New Pension Scheme (NPS) for all officers/ employees joining the Bank on or after 01.04.2010. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of registration procedures of the employees concerned, these contributions are retained. The Bank recognizes such annual contributions as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

- **COMPENSATED ABSENCES:**

Accumulating compensated absences such as Privilege Leave (PL) and Sick Leave (including unavailed casual leave) are provided for based on actuarial valuation.

- **OTHER EMPLOYEE BENEFITS:**

Other Employee Benefits such as Leave Fare Concession (LFC), Silver Jubilee Award, etc. are provided for based on actuarial valuation.

In respect of overseas branches and offices, the benefits in respect of employees other than those on deputation are valued and accounted for as per laws prevailing in the respective countries.

9. TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS & BALANCES:

Transactions involving foreign exchange are accounted for in accordance with AS 11, "The Effect of Changes in Foreign Exchange Rates".

9.1 Except advances of erstwhile London branches which are accounted for at the exchange rate prevailing on the date of parking in India, all other monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are initially recorded at a notional rate and translated in Indian Rupee equivalent at the exchange rates prevailing as on the Balance Sheet date as per Foreign Exchange Dealers' Association of India (FEDAI) guidelines.

9.2 Non-monetary items other than fixed assets which are carried at historical cost are translated at exchange rate prevailing on the date of transaction.

9.3 Outstanding Forward exchange spot and forward contracts are translated as on the Balance Sheet date at the rates notified by FEDAI and the resultant gain/loss on translation is taken to Profit & Loss Account.

Foreign exchange spot/forward contracts/deals (Merchant and Inter-bank) which are not intended for trading/Merchant Hedge and are outstanding on the Balance Sheet date, are reverse re-valued at the closing FEDAI spot/forward rate in order to remove revaluation effect on exchange profit. The premium or discount arising at the inception of such a forward exchange contract is amortised as interest expense or income over the life of the contract.

9.4 Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the Profit and Loss Account.

9.5 Offices outside India / Offshore Banking Units:

i. Operations of foreign branches and off shore banking unit are classified as "Non-integral foreign operations" and operations of representative offices abroad are classified as "integral foreign operations"
ii. Foreign currency transactions of integral foreign operations and non-integral foreign operations are accounted for as prescribed by AS-11.
iii. Exchange Fluctuation resulting into Profit / loss of non-integral operations is credited /debited to Exchange Fluctuation Reserve.

10. TAXES ON INCOME

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively after taking into account taxes paid at the foreign offices, which are based on the tax laws of respective jurisdictions.

Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgment as to whether their realisation is considered as reasonably/virtually certain.

11. Earnings per Share:

The Bank reports basic and diluted earnings per share in accordance with AS 20 -'Earnings per Share' issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

12. Provisions, Contingent Liabilities and Contingent Assets:

- In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.
- Contingent Assets are not recognised in the financial statements.

13. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold, which is treated as deposits/advances as the case may be with the interest paid / received classified as interest expense/income.

14. Segment Reporting

The Bank recognizes the Business segment as the Primary reporting segment and Geographical segment as the Secondary reporting segment, in accordance with the RBI guidelines and in compliance with the Accounting Standard 17 issued by ICAI.

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NOTES TO ACCOUNTS

1. The subsidiaries considered in the preparation of the consolidated financial statements are as under:

(in %)

Name of the Subsidiary Company	Country of incorporation	% Voting power held as at	
		31st March, 2017	31st March, 2016
1. PNB Gilts Limited*	India	74.07	74.07
2. Punjab National Bank (International) Ltd.	United Kingdom	100.00	100.00
3. PNB Investment Services Ltd.	India	100.00	100.00
4. Druk PNB Bank Ltd.	Bhutan	51.00	51.00
5. PNB Insurance Broking Pvt Ltd#	India	81.00	81.00

* The financial statements of this company are subject to Supplementary Audit by the Comptroller & Auditor General of India, under the Companies Act, 2013 and receipt of their report.

#Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

Associates / Joint Venture considered in consolidated financial statements are as under:

(in %)

Name of the Associate Company	Country of incorporation	Proportion of ownership percentage as at	
		31st March, 2017	31st March, 2016
1. Madhya Bihar Gramin Bank, Patna.	India	35	35
2. Sarva Haryana Gramin Bank, Rohtak	India	35	35
3. Himachal Pradesh Gramin Bank, Mandi.	India	35	35
4. Punjab Gramin Bank, Kapurthala.	India	35	35
5. Sarva UP Gramin Bank, Meerut.	India	35	35
6. Everest Bank Ltd. **(Joint Venture)**	Nepal	20	20

Name of the Associate Company	Country of incorporation	Proportion of ownership percentage as at	
		31st March, 2017	31st March, 2016
7. Principal PNB Asset Management Co. Pvt. Ltd.	India	21.38	21.38
8. Principal Trustee Co. Pvt. Ltd.	India	30	30
9. PNB Metlife India Insurance Company Ltd	India	30	30
10. JSC Tengri Bank, Almaty, Kazakhstan	Kazakhastan	49	49
11. PNB Housing Finance Limited	India	39.08	51.01

Footnote:

2.1 Everest Bank Ltd. follows accounting year different from that of the Parent.

2.2 The bank's share in the following Associates have been considered in the accounts on the basis of un-audited financial statements received for the year 2016-17:-

a) Principal Trustee Co. Pvt. Ltd.
b) Principal PNB Asset Management Co. Pvt. Ltd.
c) Everest Bank Limited, Nepal (Joint Venture)
d) JSC Tengri Bank, Almaty, Kazakhstan
e) Sarva UP Gramin Bank, Meerut.

2.3 The break-up of Capital Reserve/Goodwill is as follows: -

		(₹. in Crore)
Particulars	As on 31.03.2017	As on 31.03.2016
Goodwill	0.24	0.24
Capital Reserves	66.77	66.77
Goodwill (Net)	0.00	0.00
Capital Reserve on Consolidation	66.53	66.53

2.4 Perpetual bonds/subordinated debt raised as Tier I and Tier II Capital:

(₹. in Crore)

Particulars	As on 31.03.2017	As on 31.03.2016
Amount of subordinated debt raised as Lower Tier-II Capital during the year	17.88	1791.26
Amount of subordinated debt raised as Upper Tier-II Capital during the year	0	0
Amount of perpetual bonds raised as Tier-I Capital during the year	2379.70	0

3. The capital adequacy ratio (Basel II and Basel III) of the bank group is as under:

	Basel II	
Particulars	(31.03.2017)	(31.03.2016)
CRAR%	12.39	13.66
CRAR – Tier I capital (%)	8.30	9.56
CRAR – Tier II capital (%)	4.09	4.10

	Basel III	
Particulars	(31.03.2017)	(31.03.2016)
Common equity Tier 1 Capital ratio (%) (Basel- III)	8.17	8.48
Tier 1 Capital ratio (%) (Basel- III)	9.25	10.16
Tier 2 Capital ratio (%) (Basel- III)	2.73	2.99
Total Capital ratio (CRAR) (%) (Basel- III)	**11.98**	**13.15**

4. Disclosures required by Accounting Standards

4.1 AS 5 - Prior Period and Change in Accounting Policy

There were no material prior period income/expenditure items requiring disclosure under AS-5 issued by The Institute of Chartered Accountants of India. There is no change in any accounting policies followed in the previous year.

4.2 AS 6 - Depreciation accounting

-Break up of total depreciation for the year for each class of assets

(₹. in Crore)

Particulars (Class of Assets)	Year ended 31.03.2017	Year ended 31.03.2016
Premises	11.02	14.54
Other fixed assets	382.80	358.82
Leased assets	0.00	4.89
Computer software	36.66	37.94
Total	**430.48**	**416.19**

4.3 AS 9 - Revenue Recognition

The income which has been accounted for on realization basis are not considered to be material.

4.4 AS 11- Changes in foreign exchange rates:
Movement of Exchange Fluctuation Reserve

Amount (₹. in Crore)

Particulars	31.03.2017	31.03.2016
Opening Balance	333.47	263.48
Credited during the year	30.29	70.48
Withdrawn during the year	8.02	0.49
Closing Balance	**355.74**	**333.47**

4.5 AS 15 – Employees Benefits (Parent Company):

DISCLOSURE IN ACCORDANCE WITH AS-15(R):

In line with the accounting policy and as per the Accounting Standard – 15(R), the summarized position of employment benefits is as under:

A. Defined benefit Plans

TABLE I - Principal Acturial Assumptions and the basis of these assumptions

Acturial Assumptions	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
Discount Rate	8.05%	8.17%	7.37%	8.17%	7.37%	8.17%
Expected Return on Plan Assets	8.61%	8.61%	8.61%	8.61%	0.00%	0.00%
Rate of Escalation In salary	6.00%	5.75%	6.00%	5.75%	6.00%	5.75%
Attrition Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

TABLE II - Changes in Present value of the obligation

(ALL AMOUNTS IN CRORES)

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**

Present value of Obligation at the beginning of period	20179.68	18217.4	2615.94	2419.83	1401.53	1308.47
Interest Cost	1598.26	1415.01	198.79	177.78	103.15	95.43
Current Service Cost	540.15	476.83	209.55	197.68	46.89	44.48
Benefits paid	(1234.20)	(1191.77)	(365.60)	(395.24)	(278.00)	(231.22)
Acturial loss / (gain) on obligations (Balancing Figure)	1775.92	1262.22	271.39	215.89	203.95	184.36
Present value of Obligation	22859.81	20179.68	2930.07	2615.94	1477.52	1401.53

TABLE III - Changes in the FV of the Plan Assets

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
FAIR value of Plan Assets, at the beginning of period	20841.72	17373.01	2666.75	2836.40	-	-
Expected return on Plan assets	1799.35	1579.43	227.48	227.20	-	-
Contributions by Bank, employees	1347.46	3134.8	316.21	0.00	278	231.22
Benefits Paid	(1234.20)	(1191.77)	-365.6	(395.24)	(278.00)	(231.22)
Acturial (loss) / gain on Plan Assets(Balancing Figure)	1906.32	(53.78)	310.99	(1.61)	-	-
FAIR value of Plan Assets, 31.03.2015	24660.65	20841.72	3155.83	2666.75	-	-

TABLE IV - Actual Return on Plan Assets

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
Expected return on Plan Assets	1799.35	1579.46	227.48	227.2	-	-

Acturial (loss) / gain on Plan Assets	1906.32	(53.78)	310.99	(1.61)	-	-
Actual Return on Plan Assets	3705.67	1525.68	538.47	225.59	-	-

TABLE V - Net Acturial (Gain) / loss Recognized						
	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
Acturial gain / (loss) for the period - Obligations	(1775.92)	(1262.22)	(271.39)	(215.89)	(203.95)	(184.36)
Acturial gain / (loss) for the period - Plan Assets	1906.32	(53.78)	310.99	(1.61)	0	0
Total (Gain) / Loss for he period	(130.40)	1316.00	(39.60)	217.49	203.95	184.36
Acturial (gain) or loss recognised in the period	(130.40)	1316.00	(39.60)	217.49	203.95	184.36
Unrecognised Acturial (gain) / loss at the end of the year	0	0.00	0.00	0.00	0.00	0.00

TABLE VI - Amount recognised in Balance Sheet						
	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
Present value of Obligation	22859.81	20179.68	2930.07	2615.94	1477.52	1401.53
FAIR value of Plan Assets,	24660.65	20841.72	3155.83	2666.75	0	0
Difference	(1800.84)	(662.04)	(225.76)	(50.81)	1477.52	1401.53
Unrecognised Transitional Liabilty	0	0	0	0	0	0
Unrecognised Past Service cost - vested benefits - Carried Forward	0	0	0	0	0	0

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SURI & CO. Chennai 004283 S Chartered Accountants

SPMG & COMPANY New Delhi 509249C Chartered Accountants

Liability Recognised in the Balance Sheet	0	0	0	0	1477.52	1401.53
Negative amount determined under under Paragraph 55 of AS-15 (R)	(1800.84)	(662.04)	(225.76)	(50.81)	0.00	0.00
Present value of available refunds and reductions in future contributions	1800.84	662.04	225.76	50.81	0.00	0.00
Resulting asset as per Paragraph 59 (b) of AS-15 (R)	1800.84	662.04	225.76	50.81	0.00	0.00

TABLE VII - Expense to be recognised in Profit and loss statement

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
Current Service Cost	540.15	476.83	209.55	197.68	46.89	44.48
Interest cost	1598.26	1415.01	198.79	177.78	103.15	95.43
Expected return on Plan assets	(1799.35)	(1579.46)	(227.48)	(227.20)	0	0
Net Acturial (gain) / loss recognised in year	(130.40)	1316.00	(39.60)	217.49	203.95	184.36
Past Service Cost-Recognised	0	0	0.00	0.00	0	0
Expenses recognised in the statement of profit and loss	208.67	1628.37	141.26	365.76	353.99	324.27

TABLE VIII- Movement in Net Liability to be recognised in Balance Sheet

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**

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Opening Net Liability	(662.04)	844.39	(50.81)	(416.57)	1401.53	1308.47
EXPENSE	208.67	1628.37	141.26	365.76	353.99	324.27
CONTRIBUTIONS PAID	(1347.46)	(3134.80)	(316.21)	0.00	(278.00)	(231.22)
Closing Net Liability (Liability recognised in B/S in current period)	(1800.84)	(662.04)	(225.76)	(50.81)	1477.52	1401.53

TABLE IX -Amount for the current Period

	PENSION	
	31.03.2017	**31.03.2016**
Present value of Obligation	22859.81	20179.68
FAIR value of Plan Assets	24660.65	20841.72
Surplus / (Deficit) before unrecognised past service cost	1800.84	662.04
Experience Adjustments in Plan Liabilities - (loss) / Gain	313.46	(1476.60)
Experience Adjustments in Plan Assets (loss) / gain	1906.32	(53.78)

	GRATUITY	
	31.03.2017	**31.03.2016**
Present value of Obligation	2930.07	2615.94
FAIR value of Plan Assets	3155.83	2666.75
Surplus / (Deficit) before unrecognised past service cost	225.76	50.81

Experience Adjustments in Plan Liabilities - (loss) / Gain	(92.29)	(218.33)
Experience Adjustments in Plan Assets (loss) / gain	310.99	(1.61)

	LEAVE ENCASHMENT	
	31.03.2017	**31.03.2016**
Present value of Obligation	1477.52	1401.53
FAIR value of Plan Assets	0	0
Surplus / (Deficit) before unrecognised past service cost	(1477.52)	(1401.53)
Experience Adjustments in Plan Liabilities - (loss) / Gain	(105.98)	(250.27)
Experience Adjustments in Plan Assets (loss) / gain	0	0

TABLE X -Major Categories of Plan Assets (as percentage of Total Plan Assets)

(In Percentage)

	PENSION		GRATUITY	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**
Government Of India Securites	8.85	10.00	13.54	16.00
State Govt Securities	31.90	35.00	32.13	35.00
High Quality Corporate Bonds	13.82	17.00	14.05	18.00
Equity Shares of listed companies	0.00	1.00	0.00	0.00
Property	0.00	0.00	0.00	0.00

Special deposit scheme	0.00	6.00	0.00	8.00
Funds managed by Insurer	32.68	18.00	14.86	6.00
Other- Bank Deposits and CDs	13.00	13.00	25.42	17.00
TOTAL	100.00	100.00	100.00	100.00

TABLE XI -ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR

	Pension (Funded)		Gratuity (Funded)	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**
Bank's best estimate of Contibution during next year	1300.00	2000.00	200.00	500.00

TABLE XII- Other Long Term employee benefits (Unfunded)

Particulars	Sick Leave & Casual leave (Unfunded)		Leave Fare concession (unfunded)		Silver Jubiliee Bonus (unfunded)	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
Present Value of Obligation	64.65	60.86	138.55	108.32	12.83	12.05
Opening Balance of Transitional Liability	0	0	0	0	0	0
Transitional Liability recogized in the year	0	0	0	0	0	0
Closing Balance Of Transitional Liability	0	0	0	0	0	0
Liabity Recognized in balance Sheet	64.65	60.86	138.55	108.32	12.83	12.05

Particulars	Basis of assumption
Discount rate	Discount rate has been determined by reference to market yields on the balar sheet date on Government Bonds of term consistent with estimated term of obligations as per para 78 of AS15R.
Expected rate of return on plan assets	The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation.
Rate of escalation in salary	The estimates of future salary increases considered in actuarial valuations taking into account inflation, seniority, promotion and other relevant factors mentioned in paras 83-91 of AS15R.
Attrition rate	Attrition rate has been determined by reference to past and expected future experience and includes all types of withdrawals other than death but including those due to disability.

B. Defined Contribution Plans
The Bank has Defined Contribution Plan applicable to all categories of employees joining the Bank on or after 01.04.2010. The scheme is managed by NPS trust under the aegis of the pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During the FY 2016-17, the Bank has contributed Rs 113.16 crores (Previous year Rs 87.17 cr)

C. Changes in Fair Valuation of Plan Assets
In accordance with AS-15 issued by ICAI, during the year while considering the fair value of plan assets relating to pension and gratuity fund being long term benefits of employees, interest accrued on investments has also been taken into account as against principal amount in earlier years. Consequent to this, employer contribution to pension and gratuity funds representing excess of fair value of plan assets over present value of obligation amounting to Rs.2026.60 crores has been credited to "Payments to and Provisions for Employees- Employee Cost " during the year. Figures of previous year are not comparable to that extent.

4.6 SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH 2017

(₹. in lacs)

Sl. No.	Particulars		Year Ended 31.03.2017 (Audited) (Consolidated)	Year Ended 31.03.2016 (Audited) (Consolidated)
i.	**Segment Revenue**			
	a)	Treasury	1750557	1515055
	b)	Corporate/Wholesale Banking	2341662	2518439
	c)	Retail Banking	1519487	1566951
	d)	Other Banking Operations	110860	89905
	Total		**5722566**	**5690350**

ii.	**Segment Results**			
	a)	Treasury	489518	321294
	b)	Corporate/Wholesale Banking	-593494	-1119535
	c)	Retail Banking	366246	424769
	d)	Other Banking Operations	29655	22355
	Total		**291925**	**-351117**
iii.	Unallocated Expenses		137917	175566
iv.	Operating Profit		1497980	1034988
v.	Provision for Tax		63895	-160356
vi.	Extraordinary Items		0.00	0.00
vii.	Share of Earnings in Associates (Net)		33809	15319
viii.	Minority Interest		5198	17969
ix.	Net Profit		118724	-368977
	Other Information:			
x.	**Segment Assets**			
	a)	Treasury	22125727	17336034
	b)	Corporate/Wholesale Banking	32951504	36899694
	c)	Retail Banking	15304512	13726920
	d)	Other Banking Operations	1789697	2327075
	Sub Total		**72171440**	**70289723**
	e)	Unallocated Assets	1159651	989573
	Total Assets		**73331091**	**71279296**
xi.	**Segment Liabilities**			
	a)	Treasury	20779194	16293061
	b)	Corporate/Wholesale Banking	31286141	34267176
	c)	Retail Banking	15220660	14420525
	d)	Other Banking Operations	1726133	2118109
	Sub Total		**69012128**	**67098871**
	e)	Unallocated Liabilities	2476	0
	Total Liabilities		**69014604**	**67098871**

Part B – GEOGRAPHIC SEGMENTS

Sl. No	**Particulars**		**Year Ended 31.03.2017 (Audited) (Consolidated)**	**Year Ended 31.03.2016 (Audited) (Consolidated)**
1.	**Revenue**			
	a)	Domestic	5460886	5492785
	b)	International	261680	197565
	Total		**5722566**	**5690350**
2.	**Assets**			
	a)	Domestic	63266974	60367422
	b)	International	10064117	10911874
	Total		**73331091**	**71279296**

Note

1. Segment Liabilities are distributed in the ratio of their respective Segment Assets.
2. Figures of the previous period have been re-grouped / reclassified wherever necessary to make them comparable.

4.7 Disclosure of Related Parties as per AS –18 issued by ICAI - Parent Company

Names of the related parties and their relationship with the Bank:

Key Management Personnel:

i) Mrs. Usha Ananthasubramanian, Managing Director & CEO
ii) Shri K.V.Brahmaji Rao, Executive Director.
iii) Dr .Ram S.Sangapure, Executive Director.
iv) Shri Sanjiv Sharan, Executive Director (w.e.f. 15.09.2016)

Subsidiaries:

vi) PNB Gilts Ltd.
vii) Punjab National Bank (International) Ltd., UK
viii)PNB Investment Services Ltd.
ix) Druk PNB Bank Ltd, Bhutan.
x) PNB Insurance Broking Pvt Ltd*.

Associates:

xi) Principal PNB Asset Management Company Pvt. Ltd.
xii) Principal Trustee Company Private Limited
xiii) PNB Metlife India Insurance Company Ltd.
xiv) PNB Housing Finance Ltd.
xv) JSC (Tengri Bank) Almaty Kazakhstan
xvi) Madhya Bihar Gramin Bank, Patna.
xvii) Sarva Haryana Gramin Bank, Rohtak
xviii) Himachal Pradesh Gramin Bank, Mandi
xix) Punjab Gramin Bank, Kapurthala
xx) Sarva UP Gramin Bank, Meerut.

*Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

Joint Venture:

ii) Everest Bank Limited, Kathmandu Nepal

Transactions with Related Parties*

(₹ in Lacs)

Items/ Related Party	Parent** (as per ownership or control)		Subsidiaries **		Associates/ Joint ventures		Key Management Personnel		Relatives of Key Management Personnel		Total	
	2016-17	Maximum amount outstanding	2016-17	Maximum amount outstanding	2016-17	Maximum amount outstanding	2016-17	Maximum amount outstanding	2016-17	Maximum amount outstanding	2016-17	Maximum amount outstanding
Remuneration	N.A	N.A	N.A	N.A	-	-	115.42	NA	NA	NA	115.42	NA
	N.A	N.A	N.A	N.A	–	–	(102.29)	NA	NA	NA	(102.29)	NA
Borrowings	N.A	N.A	N.A	N.A	--	--	-	-	-	-	-	-
Deposits	N.A	N.A	N.A	N.A	117304.25	-	43.11	154.23	0.42	0.42	117347.78	154.65
	N.A	N.A	N.A	N.A	(498288.69)	–	(44.20)	(50.16)	(41.07)	(41.07)	(498373.96)	(91.23)
Placement of Deposits	N.A	N.A	N.A	N.A	-	-	-	-	-	-	-	-
	N.A	N.A	N.A	N.A	-	-	-	-	-	-	-	-
Advances	N.A	N.A	N.A	N.A	-	-	116.41	117.21	-	-	116.41	117.21
	N.A	N.A	N.A	N.A	(150000.00)	–	–	–	(179.10)	(179.10)	(150179.10)	(179.10)
Investments in share capital	N.A	N.A	N.A	N.A	99613.74	-	-	-	-	-	99613.74	-
	N.A	N.A	N.A	N.A	(46368.21)	–	–	–	–	–	(46368.21)	-
Investments in debentures	N.A	N.A	N.A	N.A	-	-	-	-	-	-	-	
	N.A	N.A	N.A	N.A	-	–	–	–	–	–	-	-
Non funded Commitments	N.A	N.A	N.A	N.A	–	–	--	--	--	--	--	--
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements provided	--	--	--	--	--	--	--	--	--	--	--	--
Purchase of fixed assets	--	--	--	--	--	--	--	--	--	--	--	--
Sale of Fixed	--	--	--	--	--	--	--	--	--	--	--	--

Assets												
Leasing/ HP arrangements availed	–	–	–	–	–	–	–	–	–	–	–	–
Interest paid	N.A	N.A	N.A	N.A	19471.63	–	–	–	–	–	19471.63	–
	N.A	N.A	N.A	N.A	(67531.70)	–	–	–	–	–	(67531.70)	–
Interest received	N.A	N.A	N.A	N.A	–	–						
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Receiving of Services	N.A	N.A	N.A	N.A	–	–						
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Rendering of Services	N.A	N.A	N.A	N.A	–	–						
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Management contracts	N.A	N.A	N.A	N.A	–	–						
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Dividend received	N.A	N.A	N.A	N.A	–	–					–	–
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Bank Charges					–	–	–	–	–	–	–	–
Commission Received					–	–	–	–	–	–	–	–

(Figures in brackets relate to previous year)

**The transactions with the subsidiaries and certain associates have not been disclosed in view of para-9 of AS-18 'Related Party Disclosure', which exempts state controlled enterprises from making any disclosures pertaining to their transactions with other related parties, which are also state controlled.

4.8. Accounting for Leases – AS 19

Financial Leases:

Rs in Crores

	31.03.2017	31.03.2016
Original value of assets acquired on financial lease and included in other fixed assets (including furniture and fixture)	0.42	0.42
The amount of depreciation provided upto 31.03.2017 thereon	0.42	0.42
The written down value as on 31.03.2017	0.00	0.00
Minimum Lease Payment due not later than one year	0.00	0.00
Minimum Lease Payment due later than one year but not later than five years	0.00	0.00
Minimum Lease Payment due later than five years	0.00	0.00
Operating leases	4.71	28.54
1. Minimum Lease payment due not later than 1 year	1.99	14.87
Ii Minimum Lease Payment due later than 1 year but not later than 5 years	2.72	13.67

4.9. AS 20 - Earnings Per Share

		(₹. in crore)
Particulars	**As on 31.03.2017**	**As on 31.03.2016**
Earnings per Share Basic Diluted *	 5.78 5.78	 -19.32 -19.32
Amount used as numerator Profit after tax (Rs. In Crore)	1187.24	-3689.77
Nominal value of shares	Rs 2.00	Rs 2.00
Weighted average number of equity shares used as the denominator	2053213333	1909375143

4.10 Major components of deferred tax assets and liability are set out below:

(₹. in crore)

Particulars	As on 31.03.2017	As on 31.03.2016
Deferred Tax Assets		
Provision for bad & doubtful debts	6202.99	4562.80
Provision for leave encashment	558.47	522.37
Provision for Pension & Gratuity	0.06	0.04
Statutory Liabilities u/s 43B	0.02	0.56
Others	0.01	27.36
Total	**6761.55**	**5113.13**
Deferred Tax Liabilities		
Depreciation on fixed assets	-7.23	-6.03
Deduction u/s 36(1)(viii)of income tax Act,1961	499.73	467.47
Others	0.00	39.07
Total	**492.50**	**500.51**
Deferred Tax Assets/ (Liability) – Net	**6269.05**	**4612.62**

4.11 AS 28 - Impairment of Assets

A substantial portion of the bank's assets comprise of 'financial assets' to which Accounting Standard 28 'Impairment of Assets' is not applicable. In the opinion of the bank, there is no impairment of its assets (to which the standard applies) to any material extent as at 31st March 2017 requiring recognition in terms of the said standard.

4.12 AS 29 - Provisions, Contingent Liabilities and Contingent Assets

i. Movement of provisions for liabilities *

(₹. in Crores)

Particulars	Salary arrears under negotiation	Legal cases/contingencies
Balance as at 1st April 2016	8.34	19.89
Provided during the year	0.00	5.52
Amounts used during the year	1.24	0.00
Reversed during the year	0.00	1.05
Balance as at 31st March 2017	**7.10**	**24.36**
Timing of outflow/uncertainties	NIL	NIL

* Excluding provisions for others

ii **Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account is as follows:**

(₹. in Crore)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Provisions for depreciation on investment	486.85	350.24
Provision towards NPAs	13578.59	18800.68
Floating provisions for NPAs (over and above RBI provisioning norms)	0.00	0
Provision towards Standard Assets	431.36	272.54
Provision made towards Income Tax (including FBT & Wealth Tax)	638.97	-1629.85
Others Provision & Contingencies	-1056.89	-956.37
Total	**14078.88**	**16837.24**

4.13 Break-up of Floating Provisions is as follows:

(₹. in crore)

Particulars	31.03.2017	31.03.2016
Opening balance as on 01.04.2016/01.04.2015	360.25	360.25
Quantum of floating provisions made during the year	0	0
Purpose and amount of draw down made during the year	0	0
Closing balance as on 31.03.2017/31.03.2016	360.25	360.25

4.14 Refer Schedule-12 on Contingent Liabilities

Such liabilities are dependent upon, the outcome of Court/arbitration/out of court settlement, disposal of appeals, and the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, respectively. No reimbursement is expected in such cases.

4.15 The Parent Bank has issued a Letter of Comfort to Prudential Regulation Authority (PRA), the regulator in United Kingdom, committing that the bank shall provide financial support to its subsidiary, Punjab National Bank (International) Ltd., UK so that it meets its financial commitments as and when they fall due.

The Prudential Regulatory Authority (PRA), regulator of UK, has vide its letter dated 02.09.2015 put the Bank under 'watch list'. There are no specific restrictions or penalties. PNB infused fresh capital of USD 100 million on 31st March 2017 to help it to meet the minimum regulatory capital requirements.

5. Other Notes

a. Premises includes properties amounting to ₹ **2.75** crore (Net of Depreciation) (previous year ₹ **1.66** crore) {Cost ₹ **7.47** crore} (previous year ₹ **7.47** crore) having revalued amount of ₹ **104.68** crore (Net of Depreciation upto March 17), are awaiting registration of title deeds. Premises include capital work in progress of ₹ **340.32** crore (previous year ₹ **238.85** crore).

b. During the Financial Year 2016-17 the bank has allotted 164370768 equity shares of ₹ 2/- each to Government of India at a premium of ₹ 126.49 per share as determined by the Board in terms of the Chapter VII of the SEBI (ICDR) Regulations, 2009, as amended from time to time on preferential basis. The total amount received by the bank on this account is ₹ 2112 crores which includes ₹ 32.87 crores as equity capital and ₹ 2079.13 crores as premium. Consequently the Government holding has increased to 65.01 % as against 62.08% before preferential allotment.

6. Figures of the corresponding previous year have been regrouped/ rearranged/reclassified wherever considered necessary.

Abridged Consolidated Balance Sheet of Punjab National Bank
As on March 31, 2017

(All amounts in ₹ lac)

	As on March 31, 2017	As on March 31, 2016
CAPITAL & LIABILITIES		
Capital	42559	39272
Reserves & Surplus		
Statutory Reserves	1023192	994826
Capital Reserves(including minority interest)	663673	508623
Share Premium	1074986	971659
Revenue and other Reserves	1480771	1643420
Balance in Profit & Loss Account	109368	95490
Deposits		
Demand Deposits	4691392	3800281
Savings Bank Deposits	21540564	17064635
Term Deposits	36733130	36173348
Borrowings		
Borrowings in India		
(a) from Reserve Bank of India	40000	1775600
(b) from other Banks	174653	501444
(c) from other Institutions and Agencies	2270181	4292899
Borrowings outside India	1848767	1597431
Other liabilities and provisions		
Bills Payable	257008	252005
Inter-Office adjustments (net)	292	822
Interest accrued	147168	191379
Provisions towards standard assets	288500	289713
Deferred Tax Liability (Net)		
Others	944887	1086449
Total Capital and Liabilities	**73331091**	**71279296**

	As on March 31, 2017	As on March 31, 2016
ASSETS		
Cash and balances with Reserve Bank of India	2541036	2649219
Balances with Banks & Money at Call & Short Notice		
Balances with Banks in India	1043174	1120179
Money at Call and Short Notice in India	2214997	2381
Balances outside India	3338702	3933159
Investments		
In India		
(a) Government Securities	14940991	12965896
(b) Other Approved Securities	18830	18830
(c) Shares	533686	451025
(d) Debentures and Bonds	2587221	1980538
(e) Subsidiaries and/or joint ventures	129815	154425
(f) Others	424459	455936
Outside India	517714	485998
Advances		
In India		
(a) Bills purchased and discounted	2902885	2969516
(b) Cash Credits, Overdrafts & Loans repayable on demand	20125851	17624301
(c) Term Loans	14028395	18096966
Outside India	5365918	5917520
Fixed Assets	629776	530812
Other Assets		
Inter-Office adjustments(net)	0	0
Interest accrued	460490	475369
Tax paid in advance / deducted at source	90063	162998
Deferred tax asset (net)	612036	461263
Non-banking assets acquired in satisfaction of claims	11203	11157
Others	813849	811808
Total Assets	**73331091**	**71279296**

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

SURI & CO. Chennai 004283 S Chartered Accountants

SPMG & COMPANY New Delhi Chartered Accountants

PUNJAB NATIONAL BANK

(All amounts in ₹ lac)

	As on March 31, 2017	As on March 31, 2016
Contingent Liabilities		
Claims against the Bank not acknowledged as debts	24958	139173
Liability on account of outstanding forward exchange contracts	25303228	25777402
Guarantees given on behalf of constituents	5228021	4622751
Acceptances, endorsements and other obligations	2936851	3137745
Other items for which the Bank is contingently liable	392046	239734
Bills for collection	2580594	2325566
The amount of Revaluation Reserve under Reserves & Surplı	380730	284478

T K BALAMUKUNDAN
DY. GENERAL MANAGER

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DY. GENERAL MANAGER

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SUNIL MEHTA
MANAGING DIRECTOR & CEO

SUNIL MEHTA
CHAIRMAN

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DIRECTOR

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DIRECTOR

MAHESH BABOO GUPTA
DIRECTOR

HIROO MIRCHANDANI
DIRECTOR

SUDHIR NAYAR
DIRECTOR

AS PER REPORT OF EVEN DATE

For Chhajed & Doshi
Chartered Accountants
FRN 101794W

(Sudesh Punhani)
Partner
M No. 017222

For R Devendra Kumar & Ass.
Chartered Accountants
FRN 114207W

(Neeraj Golas)
Partner
M No. 074392

For Hem Sandeep & Co
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(R Mahesh)
Partner
M No. 024775

For SPMG & Co.
Chartered Accountants
FRN 509249C

(Satish Chander)
Partner
M No. 087562

Date:16/05/2017
New Delhi

Abridged Profit and Loss Account of Punjab National Bank for the year ended March 31, 2017

(All amounts in ₹ lac)

	For the year ended March 31, 2017	For the year ended March 31, 2016
Income		
Interest Earned		
On advances/bills	3370140	3728786
On Investments	1260532	1253980
On balances with RBI and other inter-bank funds	136567	74050
Others	38569	23571
Other Income		
Commission, Exchange and Brokerage	324259	280288
Net Profit on sale of Investments	281940	71785
Net Profit on sale of land, buildings and other assets	545	238
Net Profit on exchange transactions	60557	45496
Income by way of Dividends etc. from subsidiaries companies and / or joint ventures abroad/in India	0	0
Miscellaneous Income	249457	299853
Total Income	**5722566**	**5778047**
Expenditure		
Interest Expended		
On Deposits	3013850	3059818
On RBI/ Inter - bank borrowings	29075	137201
Others	229306	236040
Operating Expenses		
Payments to and Provisions for employees	548233	656449
Rent, Taxes and Lighting	70225	65506
Printing and Stationery	9754	8897
Advertisement and Publicity	5593	7894
Depreciation on Bank's property	43044	41315
Directors' fees, allowances and expenses	175	194
Auditors' fees and expenses (including branch auditors)	7112	7138
Law Charges	9101	9632
Postage, Telegrams, Telephones, etc.	17988	15404
Repairs and Maintenance	23676	22275
Insurance	56925	51493
Others	160529	148791

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

SANDEEP & CO. LUCKNOW 009997 N Chartered Accountants

SURI & CO. Chennai 004283 S Chartered Accountants

SPMG & COMPANY New Delhi 509249 C Chartered Accountants

PUNJAB NATIONAL BANK

(All amounts in ₹ lac)

	For the year ended March 31, 2017	For the year ended March 31, 2016
Provisions and contingencies		
Provisions for depreciation on Investment	48501	34549
Provision towards non performing assets	1360185	1878073
Provision towards standard assets	(121367)	(128359)
Others (excluding income taxes)	56651	52420
Total expenses and provisions	5568557	6304730
Profit/(loss) before tax	154009	(526683)
Current tax	214669	152969
Deferred tax	(150773)	(313325)
Profit/(loss) after tax	90113	(366328)
Minority interest/share in earning in associates(net)	28611	(2650)
Profit/Loss brought forward	69454	84668
Total	188178	(284310)
Appropriations		
Transfer to Statutory Reserve	37749	3532
Transfer to Other Reserves	-40257	(409725)
Transfer to Government / proposed dividend	691	7491
Balance carried forward to balance sheet	109369	95490
Others	80626	18902

T K BALAMUKUNDAN
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(Satish Chander)
Partner
M No. 087562

Date:16/05/2017
New Delhi

PUNJAB NATIONAL BANK

CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED MARCH 31' 2017

(Figures ₹ in Crore)

Particulars		2016-17	2015-16
A. Cash Flow from/(used in) Operating Activities			
(I) Net Profit after Tax		901.13	(3,663.27)
Add: Share of earning in Associates		338.09	153.19
Net Profit before Minority Interest		**1,239.22**	**(3,510.08)**
Add: Provision for Tax (Net of deferred tax)		638.96	(1,603.56)
Proift before Taxes	(i)	**1,878.18**	**(5,113.64)**
(ii) Adjustment for :			
Depreciation on fixed assets		488.93	433.78
Less : Amount drawn from Revaluation Reserve		(58.49)	(20.63)
Provision for Non-performing assets		13,601.85	18,780.73
Provision on Standard Assets		(1213.67)	(1,283.59)
Provision on Investments (net)		485.01	345.49
Other Provisions (net)		566.51	594.19
Dividend from Subsidiary / Others (Investing Activity)		(95.90)	(22.95)
Interest on Bonds (Financing Activity)		1,623.51	1,646.81
Profit / (Loss) on sale of Fixed Assets (net)		(5.45)	(2.38)
	(ii)	**15,392.31**	**20,471.45**
Operating Profit before Changes in Operating Assets and Liabilities	(i+ii)	**17,270.49**	**15,357.81**
(iii) Adjustment for net change in Operating Assets and Liabilities			
Decrease / (Increase) in Investments		(27,444.56)	(8,094.93)
Decrease / (Increase) in Advances		7,438.46	(60,249.70)
Decrease / (Increase) in Other Assets		(1,761.06)	(3,466.64)
Increase / (Decrease) in Deposits		59,268.22	55,137.21
Increase / (Decrease) in Borrowings		(29,202.94)	16,051.23
Increase / (Decrease) in Other Liabilities & Provisions		(2,213.24)	1,003.53
	(iii)	**6,084.88**	**380.70**
Cash generated from Operations	(i+ii+iii)	23,355.37	15738.51
Tax Paid (net of refund)		(1,417.34)	(1,571.51)
Net Cash used in Operating Activities	(A)	**21,938.03**	**14,167.00**
B. Cash Flow from/(used in) Investing Activities			
Purchase of Fixed Assets (net of Sales)		(496.02)	(605.89)
Dividend recd from Subsidiaries / JV / RRBs		95.90	22.95
Investment (Disinvestment) in Subsidaries / JV / RRBs		558.87	(768.57)
Other Investments		-	-
Net Cash used in investing Activities	(B)	**158.75**	**(1,351.51)**
C. Cash Flow from /(used in)Financing Activities			
Issue of share capital (incl Share Premium)		1,066.14	2,008.89
Issue/(Redemption) of Bonds (Tier I & Tier II)		(9,134.79)	6,417.75
Interest paid on Bonds(Tier I,II)		(1,623.51)	(1,646.81)
Payments of Dividends (incl tax on Dividend)		(74.91)	(805.16)
Net Cash used in Financing Activities	(C)	**(9,767.07)**	**5,974.67**
D Net Change in Cash and Cash Equivalents	(A+B+C)	**12,329.71**	**18,790.16**

CHHAJED & DOSHI Chartered Accountants MUMBAI 101794W

R. DEVENDRA KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS MUMBAI

HEM SANDEEP & CO. Chartered Accountants LUCKNOW 009907N

SURI & CO. Chartered Accountants Chennai 004283 S

SPMG & COMPANY Chartered Accountants New Delhi 509249 C

PUNJAB NATIONAL BANK

CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED MARCH 31' 2017

(Figures ₹ in Crore)

	2016-17		2015-16	
Cash and Cash Equivalents at the beginning of the year				
Cash and Balances with Reserve Bank of India	26,492.19		24435.78	
Balances with Banks & Money at Call & Short Notice	52,557.19	**79,049.38**	33823.44	**58,259.22**
Cash and Cash Equivalents at the end of the year				
Cash and Balances with Reserve Bank of India	25,410.36		26,492.19	
Balances with Banks & Money at Call & Short Notice	65,968.73	**91,379.09**	50,557.19	**77,049.38**
		12,329.71		**18,790.16**

Notes :-

1 Direct taxes paid (net of refund) are treated as arising from operating activities and are not bifurcated between investing and financing activities.

2 All figures in minus represents "Cash Out Flow"

T K BALAMUKUNDAN
DY. GENERAL MANAGER

S K JAIN
DY. GENERAL MANAGER

P K SHARMA
GENERAL MANAGER

SANJIV SHARAN
EXECUTIVE DIRECTOR

DR. RAM S SANGAPURE
EXECUTIVE DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

SUNIL MEHTA
MANAGING DIRECTOR & CEO

SUNIL MEHTA
CHAIRMAN

ANIL KUMAR KHACHI
DIRECTOR

DR. RABI N. MISHRA
DIRECTOR

MAHESH BABOO GUPTA
DIRECTOR

HIROO MIRCHANDANI
DIRECTOR

SUDHIR NAYAR
DIRECTOR

AS PER REPORT OF EVEN DATE

For Chhajed & Doshi
Chartered Accountants
FRN 101794W
(Sudesh Punhani)
Partner
M No. 017222

For R Devendra Kumar & Ass.
Chartered Accountants
FRN 114207W
(Neeraj Golas)
Partner
M No. 074392

For Hem Sandeep & Co
Chartered Accountants
FRN 009907N
(Manish Gupta)
Partner
M No. 092257

For Suri & Co.
Chartered Accountants
FRN 004283S
(R Mahesh)
Partner
M No. 024775

For SPMG & Co.
Chartered Accountants
FRN 509249C
(Satish Chander)
Partner
M No. 087562

Date:16/05/2017
New Delhi

SHAH GUPTA & CO. Chartered Accountants | **CHHAJED & DOSHI** Chartered Accountants | **R. DEVENDRA KUMAR & ASSOCIATES** Chartered Accountants
HEM SANDEEP & CO. Chartered Accountants | **SURI & CO.** Chartered Accountants | **SPMG & CO.** Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Punjab National Bank

1. We have audited the accompanying Consolidated Financial Statements (CFS) of **Punjab National Bank** (the 'Bank'), its subsidiaries, associates and joint venture (the 'Group'), which comprise the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information in which are incorporated:

   (i) Audited accounts of the Bank, audited by us, vide our audit report dated May 18, 2016;

   (ii) Audited accounts of six subsidiaries and two associate, audited by other auditors; and

   (iii) Unaudited accounts of, seven associates [including five Regional Rural Banks (RRBs)] and one joint venture.

Management's responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the requirements of Reserve Bank of India (RBI), the provisions of the Banking Regulation Act, 1949, and recognised accounting policies and practices, including the Accounting Standards issued by the Institute of Chartered Accountants of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence obtained by us and the audit evidence obtained by the auditors in terms of their reports referred to in sub-paragraph (a) of the other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of the other auditors on the financial statements, consideration of unaudited financial statements and on the other financial information of the components of the Group as in "Other Matter" paragraph noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. In the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2016;

MUMBAI 109574 W | MUMBAI 101794 W | MUMBAI | LUCKNOW 009907 N | Chennai 004283 S | New Delhi 509249 C

b. In the case of the consolidated Profit and Loss Account, of the consolidated loss for the year ended on that date; and

c. In the case of the consolidated Cash Flow Statements, of the cash flows for the year ended on that date.

Emphasis of Matter

7. Without qualifying our opinion, we draw attention to note 4.5 of Schedule 18 'Notes to Accounts' Note regarding change in valuation of Plan Assets of long-term benefits from Book Value to Fair Value, resulting in increase in the value of Plan Assets by `388.07 crores in respect of Pension Fund and by Rs 53.08 crores in respect of Gratuity Fund in terms of Accounting Standard – 15 "Employee Benefits"

Other Matter

8. We have not audited the following financial statements incorporated in the consolidated financial statements:

(a) i. Four domestic subsidiaries, whose financial statements reflect total assets (net) of Rs.35488.78 crores as at March 31, 2016, total revenues of Rs.365.38 crores on that date and net cash inflows amounting to Rs.792.87 crores for the year then ended; and

ii. Two associates whose financial statements reflect total assets (net) of Rs. 15866.30 crores as at March 31, 2016, total revenues of Rs.66.02 crores on that date and net cash inflows amounting to Rs.1663.74 crores for the year then ended; and

iii. Two international subsidiaries, whose financial statements reflect total assets of Rs.14057.08 crores as on March 31, 2016 and total revenue of (Rs.44.09 crores) and cash outflows amounting to Rs.1841.73 crores for the year then ended. The financial statements and other financial information of said subsidiary has been audited by other auditors as per the requirement of respective local Generally Accepted Accounting Principles (GAAP). These financial statements have been converted as per the requirements of Indian GAAP by the management.

These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

(b). The Financial Statements of seven Associates (including 5 RRBs) and one Joint Venture which have not been audited reflect total assets (net) of Rs.37335.39 crores as at March 31, 2016, total revenues of Rs.415.32 crores on that date and net cash inflows amounting to Rs.5858.32 crores for the year then ended. Our opinion is based on the Un-audited financial statements of 7 associates (including 5 Regional Rural Banks) and one joint venture.

FOR SHAH GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.109574W

HENEEL K PATEL
PARTNER (M.NO.114103)

FOR CHHAJED & DOSHI
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 101794W

KIRAN K DAFTARY
PARTNER (M.NO.010279)

FOR R. DEVENDRA KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 114207W

NEERAJ GOLAS
PARTNER (M.NO.074392)

FOR HEM SANDEEP & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.009907N

SANDEEP JAIN
PARTNER (M.NO.087977)

FOR SURI & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004283S

R. MAHESH
PARTNER (M.NO.024775)

FOR SPMG & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.509249C

MANDEEP SINGH ARORA
PARTNER (M.NO.091243)

Place: MUMBAI
Date: May 18, 2016

CONSOLIDATED BALANCE SHEET OF PUNJAB NATIONAL BANK AS ON 31st MARCH' 2016

(₹ in Crore)

CAPITAL & LIABILITIES	Schedule	As on 31.03.2016	As on 31.03.2015
Capital	1	392.72	370.91
Reserves & Surplus	2	41411.53	41668.53
Minority Interest	2A	728.65	548.95
Deposits	3	570382.64	515245.43
Borrowings	4	81673.74	59204.76
Other Liabilities and Provisions	5	18203.68	18972.59
	TOTAL	712792.96	636011.17
ASSETS			
Cash and Balances with Reserve Bank of India	6	26492.19	24435.78
Balances with Banks & Money at call & short notice	7	50557.19	33823.44
Investments	8	165126.48	156761.66
Loans & Advances	9	446083.03	404614.06
Fixed Assets	10	5308.12	3655.77
Other Assets	11	19225.95	12720.46
	TOTAL	712792.96	636011.17
Contingent Liabilities		339168.05	282956.16
Bills for Collection		23255.66	19640.62

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As per our Report of even date

For Shah Gupta & Co.
Chartered Accountants-FRN 109574W
(Heneel K. Patel- Partner)
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For Chhajed & Doshi
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(Kiran K Daftary- Partner)
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For Hem Sandeep & Co.
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M No. 087977

For Suri & Co.
Chartered Accountants- FRN 004283S
(R. Mahesh- Partner)
M No. 024775

For SPMG & Co.
Chartered Accountants-FRN 509249C
(Mandeep Singh Arora- Partner)
M No. 091243

Date : 18/05/2016
Place: New Delhi

SHAH GUPTA & CO. MUMBAI 109574 W Chartered Accountants

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SPMG & COMPANY New Delhi 509249 C Chartered Accountants

CONSOLIDATED PROFIT & LOSS ACCOUNT OF PUNJAB NATIONAL BANK FOR THE PERIOD ENDED 31ST MARCH'2016

(₹ in Crore)

	Schedule	As on 31.03.2016	As on 31.03.2015
I. INCOME			
Interest earned	13	50803.87	48709.82
Other Income	14	6976.60	6174.60
	TOTAL	57780.47	54884.42
II. EXPENDITURE			
Interest expended	15	34330.59	31343.05
Operating expenses	16	10349.88	10808.99
Provisions and Contingencies		16763.27	9390.96
	TOTAL	61443.74	51543.00
Consolidated Net Profit for the year of the parent & subsidiaries before Minority Interest		-3663.27	3341.41
Less : Minority Interest		179.69	125.84
Consolidated Net Profit for the year of the parent & subsidiaries after Minority Interest		-3842.96	3215.57
Share of earnings in Associates (net)	17	153.19	184.02
Consolidated Net Profit for the year attributable to the group		-3689.77	3399.59
Add : Brought forward consolidated profit attributable to the group		846.68	647.70
Add: Transferred from Capital Reserve		0.00	0.00
Profit available for Appropriation		**-2843.09**	**4047.29**
APPROPRIATIONS			
Transfer to Reserves (Net) :			
Statutory Reserve		35.32	798.44
Capital Reserve - Others		115.30	96.12
Investment Fluctuation Reserve		20.85	282.77
Other Reserve		-4097.25	940.96
Special Reserve		58.68	306.24
Dividend Including Dividend Tax			
Proposed Dividend for 2015-16		74.91	805.16
Interim Dividend		0.00	0
Corporate Social Responsibility		0.00	4.04
Balance transfer from provision for tax on Dividend		-5.80	-2.98
Balance carried over to consolidated Balance Sheet		954.90	816.55
		-2843.09	4047.29
Earnings per Share (In Rs.) Non-Annualised		**-20.38**	**18.78**
Accounting Policy & Notes on Accounts	18		

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As per our Report of even date

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For SPMG & Co.
Chartered Accountants-FRN 509249C
(Mandeep Singh Arora- Partner)
M No. 091243

Date : 18/05/2016
Place: New Delhi

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

SCHEDULE 1 - CAPITAL

(₹ in Crore)

	'As on 31.03.2016	'As on 31.03.2015
Authorised Capital (1500,00,00,000 Equity shares of ₹ 2 each)	2583.96	3000.00
Issued & Subscribed (1963597490 (Previous year 1854556947 Equity Shares of ₹ 2 each	392.72	370.91
Paid up (1963597490 (Previous year 1854556947 Equity Shares of ₹ 2 each	392.72	370.91
(Includes equity shares of 1219088455 ₹ 2 each held by Central Government)		
TOTAL	**392.72**	**370.91**

SCHEDULE 2 - RESERVES & SURPLUS

	'As on 31.03.2016		'As on 31.03.2015	
I. Statutory Reserve				
Opening Balance	9912.94		9114.49	
Addition during the year	35.32		798.44	
Add/(Less) : Adjustment during the year	0.00		0.00	
		9948.26		**9912.93**
II. Capital Reserve				
a). Revaluation Reserve				
Opening Balance	1387.55		1413.00	
Addition during the year	1477.86		0.00	
Deduction during the year	20.63		21.04	
Add/(Less) : Adjustment during the year	0.00		0.11	
(being Depreciation on revalued portion of Property)				
		2844.78		**1392.07**
b. Others				
Opening Balance	1330.97		1234.84	
Addition during the year	115.30		96.13	
		1446.27		**1330.97**
IIA. Capital Reserve on consolidation (Net)		**66.53**		**66.53**
III. Revenue and Other Reserve				
a. Investment Fluctuation Reserve				
Opening Balance	454.37		170.11	
Addition during the year	0.00		282.77	
Less: Trf to P & L Account	0.00		0.00	
		454.37		**452.88**
b. Other Reserve				
Opening Balance	18308.02		17378.86	
Addition during the year	-16.92		962.24	
Less: Transferred to Special Reserve	0.00		0.00	
Less: Adjustment related to Prior years	4064.93		0.00	
Less: Transistory Liability (AS-15)	0.00		0.00	
Less: Payment for Interblocked accounts	0.00		0.00	
Add/(Less) : Adjustment during the year	-13.23		-41.78	
		14212.94		**18299.32**
c. Exchange Fluctuation Reserve				
Opening Balance	263.48		232.46	
Add: Addition during the year (Net)	10.26		8.09	
Add/(Less) : Adjustment during the year	59.73		52.21	
		333.47		**292.76**
IV. Share Premium				
Opening Balance	7729.48		6411.51	
Addition during the year	1987.11		1319.00	
Add/(Less) : Adjustment during the year	0.00		-1.01	
		9716.59		**7729.51**
V. Special Reserve				
Opening Balance	1375.02		1061.39	
Addition during the year	58.40		313.63	
Transfer from other reserve	0.00		0.00	
Add/(Less) : Adjustment during the year	0.00		0.00	
		1433.42		**1375.02**
VI. Foreign Currency Translation Reserve				
Opening Balance	0.00		0.00	
Addition during the year	0.00		0.00	
Deduction during the year	0.00		0.00	
		0.00		**0.00**
VII. Balance in Profit & Loss Account		**954.90**		**816.54**
Total I,II,,III,IV,V,VI,VII		**41411.53**		**41668.53**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

'(₹ in Crore)

Schedule 2A - Minority Interest

	'As on 31.03.2016	'As on 31.03.2015
Minority Interest at the date on which the parent subsidiary relationship came into existence	149.25	149.25
Subsequent increase	579.40	399.70
Minority Interest at the date of balance sheet	**728.65**	**548.95**

SCHEDULE 3 - DEPOSITS

		'As on 31.03.2016		'As on 31.03.2015
A. I DEMAND DEPOSITS				
(i) From Banks	3427.51		3194.94	
(ii) From Others	34575.30		31349.04	
		38002.81		**34543.98**
II SAVINGS BANK DEPOSITS		**170646.35**		**151081.77**
III TERM DEPOSITS				
(i) From Banks	65368.93		42958.19	
(ii) From Others	296364.55		286661.49	
		361733.48		**329619.68**
TOTAL of I, II, III		**570382.64**		**515245.43**
B. (i) Deposits of branches In India		559755.88		457362.18
(ii) Deposits of branches outside India		10626.76		57883.25
TOTAL of i, ii		**570382.64**		**515245.43**

SCHEDULE 4 - BORROWINGS

	'As on 31.03.2016	'As on 31.03.2015
I. Borrowings in India		
(i) Reserve Bank of India	17756.00	1271.00
(ii) Other Banks	5014.44	8960.33
(iii) Other Institutions and Agencies	13998.55	4891.53
(iv) Bonds (including Tier-I, Tier-II, Subordinated Debts	26130.44	19712.69
(v) Long Term Infrastructure Bonds	2800.00	2800.00
II. Borrowings Outside India	15974.31	21569.21
TOTAL of I, II	**81673.74**	**59204.76**
Secured Borrowings included in I & II above	**26274.61**	9754.15

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

	'As on 31.03.2016	'As on 31.03.2015
I. Bills payable	2520.05	2398.83
II. Inter-office adjustments (net)	8.22	17.23
III. Interest accrued	1913.79	1556.19
IV. Others (including Provisions)	13761.62	15000.34
TOTAL OF I, II, III, IV	**18203.68**	**18972.59**

SHAH GUPTA & CO. MUMBAI 109574 W Chartered Accountants

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SPMG & COMPANY New Delhi 509249 C Chartered Accountants

(₹ in Crore)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

		'As on 31.03.2016		'As on 31.03.2015
I. Cash in hand (including Foreign Currency Notes)		2236.80		2290.82
II. Balance with Reserve Bank of India				
(i) in Current account	24255.39		22144.96	
(ii) in Other Accounts	0.00		0.00	
		24255.39		22144.96
TOTAL Of I, II		26492.19		24435.78

SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

I. In India				
(i) Balance with Banks:				
(a) In Current accounts	2394.29		936.56	
(b) In Other Deposit accounts	8807.50		7098.88	
		11201.79		8035.44
(ii) Money at Call and Short Notice:				
(a) with Banks	23.81		0.00	
(b) with Other Institutions	0.00		0.00	
		23.81		0.00
TOTAL (i & ii)		11225.60		8035.44
II. Outside India				
(i) In Current accounts	2439.46		2417.49	
(ii) In Other Deposit accounts	36423.13		23286.06	
(iii) Money at Call & Short Notice	469.00		84.45	
TOTAL		39331.59		25788.00
GRAND TOTAL (I & II)		50557.19		33823.44

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SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

'(₹ in Crore)

SCHEDULE 8 - INVESTMENTS	'As on 31.03.2016	'As on 31.03.2015
I. Investments in India in		
(i) Government Securities	129658.96	127578.85
(ii) Other approved securities	188.30	187.84
(iii)Shares	4510.25	3604.36
(iv) Debentures and Bonds	19805.38	16539.81
(v) Investment in Associates (on equity method)	1544.25	1271.20
(vi) Others (Initial Capital in UTI and its units- 64 ; (Various Mutual Funds & Commercial Paper etc.)	4559.37	5692.48
TOTAL of I	**160266.51**	**154874.54**
II. Investments outside India		
(i) Government Securities	2008.85	601.38
(ii) Investment in Associates (on equity method)	965.75	470.23
(iii) Other investments	1885.38	815.51
TOTAL of II	**4859.98**	**1887.12**
III. Investments in India		
I) Gross value of Investments	160266.50	155487.80
ii) Less: Aggregate of Provisions for Depreciation	0.00	611.81
iii) Net Investment	**160266.50**	**154875.99**
IV. Investments outside India		
I) Gross value of Investments	4859.98	1885.67
ii) Less: Aggregate of Provisions for Depreciation	0.00	0.00
iii) Net Investments	**4859.98**	**1885.67**
GRAND TOTAL of (I), (II)	**165126.48**	**156761.66**

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(₹ in Crore)

SCHEDULE 9 - ADVANCES

	'As on 31.03.2016	'As on 31.03.2015
A. i) Bills Purchased and discounted	30226.17	29615.86
ii) Cash Credits, overdrafts and loans repayable on demand	233579.29	198141.37
iii) Term Loans	182277.57	176856.83
Total	**446083.03**	**404614.06**
B. i) Secured by Tangible Assets (including advances against book debts)	405610.84	359350.06
ii) Covered by Bank/Govt.Guarantees	10235.64	22453.11
iii) Unsecured	30236.54	22810.89
Total	**446083.02**	**404614.06**
C. (I) Advances in India		
i) Priority Sector	144324.59	142418.19
ii) Public Sector	18909.91	19342.83
iii) Banks	2022.43	2068.98
iv) Others	221650.87	181910.48
Total	**386907.80**	**345740.48**
C. (II). Advances outside India		
i) Due from banks	32111.57	39770.75
ii) Due from others		
(a) Bills purchased & discounted	531.01	445.61
(b) Term Loans	1307.91	5289.23
(c) Others	25224.71	13367.99
Total	**59175.20**	**58873.58**
GRAND TOTAL of C (I) & C (II)	**446083.00**	**404614.06**

SCHEDULE 10 - FIXED ASSETS

		'As on 31.03.2016		'As on 31.03.2015
I. Premises (including Land)				
-At cost as on 1st April of the year	2863.17		2825.29	
-Additions during the year	169.89		66.27	
Less :Deductions during the year	0.00		0.00	
-Revaluation	1477.86		0.65	
Less :Depreciation to date	434.28		409.89	
		4076.64		**2482.32**
II. Other Fixed Assets (including furniture & fixtures)				
-At cost as on 1st April of the year	3578.87		3207.88	
- Revaluation due to exchange rate fluctuation	0.00		0.24	
-Additions during the year	501.94		446.03	
Less: Deductions during the year	281.37		64.33	
Less:Depreciation to date	2698.58		2543.47	
		1100.86		**1046.35**
III. Computer Software				
-At cost as on 1st April of the year	334.64		306.37	
-Revaluation due to exchange rate fluctuation	0.00		0.14	
- Additions during the year	52.30		39.25	
- Deductions during the year	0.04		4.20	
Less: Amortised to date	281.56		249.46	
		105.34		**92.10**
IV. Leased Assets				
-At cost as on 1st April of the year	63.70		38.58	
-Additions during the year	11.26		25.13	
-Deductions during the year	18.22		0.00	
Less:Depreciation to date	31.46		28.71	
		25.28		**35.00**

(₹ in Crore)

SCHEDULE 11 - OTHER ASSETS	As on 31.03.2016	As on 31.03.2015
I. Interest accrued	4753.69	4322.08
II. Tax paid in advance/tax deducted at source (net of provisions)	1629.98	1588.16
III. Stationery and Stamps	9.48	9.70
IV. Non Banking assets acquired in satisfaction of claims	111.57	65.64
V. Deferred Tax asset (net)	4612.63	1479.38
VI. Others	8108.60	5255.50
TOTAL of I, II, III, IV, V, VI	**19225.95**	**12720.46**

SCHEDULE 12 - CONTINGENT LIABILITIES		
I.(i) Claims against the Bank(Group) not acknowledged as debts	231.04	209.42
I (ii). Disputed income tax and interest tax demands under appeal, references, etc.	1160.69	1056.21
II. Liability for partly paid investments	0.01	153.01
III. Liability on account of outstanding forward exchange contracts	257774.01	194285.07
IV. Guarantees given on behalf of constituents		
(a) In India	32595.19	29020.58
(b) Outside India	13632.32	15067.12
V. Acceptance, Endorsements and Other obligations	31377.45	41073.40
VI. Other items for which the Bank (Group) is contingently liable	2397.34	2091.35
TOTAL of I, II, III, IV, V, VI	**339168.05**	**282956.16**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 13 - INTEREST AND DIVIDENDS EARNED

	'As on 31.03.2016	'As on 31.03.2015
I. Interest/discount on Advances/Bills	37287.86	36717.90
II. Income on Investments	12539.80	11045.10
III. Intt on balances with Reserve Bank of India & other inter-bank funds	740.50	605.33
IV. Others	235.71	341.49
TOTAL of I, II, III, IV	50803.87	48709.82

SCHEDULE 14 - OTHER INCOME

		'As on 31.03.2016		'As on 31.03.2015
I. Commission, Exchange & Brokerage		2802.88		2758.63
II. Profit on sale of land, buildings and other assets	3.15		3.65	
Less:Loss on sale of land, buildings and other assets	0.77	2.38	0.58	3.07
III. Dividend Income from Mutual Fund		365.01		353.96
IV. Profit on Exchange Transaction	1547.66		1429.29	
Less:Loss on Exchange Transaction	1092.70	454.96	914.57	514.72
V. Profit on sale of Investments	963.46		1351.70	
Less:Loss on sale of investments	245.61	717.85	228.91	1122.79
VI. Miscellaneous Income		2633.52		1421.43
TOTAL of I, II, III, IV, V, VI		6976.60		6174.60

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SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 15 - INTEREST EXPENDED		'As on 31.03.2016		'As on 31.03.2015
I. Interest on Deposits		30598.18		28115.08
II. Interest on Reserve Bank of India/ inter-bank borrowings		1372.01		1391.76
III. Others		2360.40		1836.21
TOTAL of I, II, III		**34330.59**		**31343.05**
SCHEDULE 16 - OPERATING EXPENSES				
I. Payment to and provisions for employees		6564.49		7469.12
II. Rent, Taxes and Lighting		655.06		575.75
III. Printing & Stationery		88.97		84.19
IV. Advertisement & Publicity		78.94		48.76
V. Depreciation on bank's property	433.78		404.62	
Less: Adjusted with Revaluation Reserve	20.63		20.63	
		413.15		**383.99**
VI. Directors' Fees, allowances and expenses		1.94		1.52
VII. Auditors' fees and expenses (including statutory auditor of subsidiaries, branch auditors' fees & expenses)		71.38		55.11
VIII. Law charges		96.32		64.59
IX. Postage,Telegrams,Telephones, etc.		154.04		132.32
X. Repairs & Maintenance		222.75		199.88
XI. Insurance		514.93		454.43
XII. Other expenditure		1487.91		1339.33
TOTAL of I to XII		**10349.88**		**10808.99**
SCHEDULE 17 - SHARE OF EARNINGS/LOSS IN ASSOCIATES				
(a) Share of Earnings in Associates in India		125.79		162.76
(b) Share of Earnings in Associates outside India		27.40		21.26
TOTAL of (a & b)		**153.19**		**184.02**

PUNJAB NATIONAL BANK

SCHEDULE 18 (Consolidated – 31.03.2016)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. **BASIS OF PREPARATION:**

The consolidated financial statements have been prepared on historical cost basis and conform, in all material aspects, to Generally Accepted Accounting Principles (GAAP) in India unless otherwise stated encompassing applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time, Banking Regulation Act 1949, Companies Act, 2013, Accounting Standards (AS) and pronouncements issued by The Institute of Chartered Accountants of India (ICAI) and prevailing practices in Banking industry in India.

In respect of foreign entities, statutory provisions and practices prevailing in respective foreign countries are complied with except as specified elsewhere.

The financial statements have been prepared on going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated.

Use of Estimates

The preparation of consolidated financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

Future results could differ from these estimates.

Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

Any revision to the accounting estimates is recognised prospectively in the current and future periods unless otherwise stated.

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2. **CONSOLIDATION PROCEDURES:**

Subsidiaries:

i) PNB Gilts Ltd.
ii) PNB Housing Finance Ltd.
iii) Punjab National Bank (International) Ltd., UK
iv) PNB Investment Services Ltd.
v) Druk PNB Bank Ltd, Bhutan.
vi) PNB Insurance Broking Pvt Ltd*.

Associates:

i) Principal PNB Asset Management Company Pvt. Ltd.
ii) Principal Trustee Company Private Limited
iii) PNB Metlife India Insurance Company Ltd.
iv) JSC (Tengri Bank) Kazakhstan **
v) Madhya Bihar Gramin Bank, Patna.
vi) Sarva Haryana Gramin Bank, Rohtak
vii) Himachal Pradesh Gramin Bank, Mandi
viii) Punjab Gramin Bank, Kapurthala
ix) Sarva UP Gramin Bank, Meerut.

*Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

**Previously JSC SB PNB Kazakhstan was subsidiary of PNB with majority stake of 84.38%. On 10.09.2015, local shareholders increased their stake to 51%. Accordingly, PNB's stake in PNB Kazakhstan declined to 49% only.

Joint Venture:

i) Everest Bank Limited, Nepal

2.1 Consolidated financial statements of the Group (comprising of 6 Subsidiaries, 9 Associates and 1 Joint Venture as per detail given above) have been prepared on the basis of:

i. Audited financial statements of Punjab National Bank (Parent/the Bank),

ii. As per AS 21, Line by line aggregation of like items of assets, liabilities, income and expenses of subsidiaries with the respective item of the Parent after eliminating material intra-group balances/transactions, unrealized profit/losses and making necessary adjustments, wherever required, to conform to uniform accounting policies, based on data received from these subsidiaries duly audited by their respective auditors. The financial statements of the subsidiaries are drawn up to the same reporting date as that of Parent i.e.31st March 2015.

iii. Foreign currency translation of overseas subsidiaries have been done as under:

(i) Income and Expenditure – at weighted average rates prevailing during the year
(ii) Assets and Liabilities - at the year-end rates

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The resultant foreign currency translation difference, whether gain or loss, has been included under Reserves and Surplus - Foreign Currency Translation Reserve.

iv .Investments in associates, where the group holds 20% or more of the voting power, have been accounted for using the equity method in terms of Accounting Standard – 23 issued by The Institute of Chartered Accountants of India.

v. In the absence of full information regarding impact of differences in accounting policies followed by the Parent, subsidiaries and associates, no adjustments have been carried out. In like manner, unrealized profits and losses resulting from transactions between the Parent , the subsidiaries and associates, if any, to the extent of the Parent's interest in the subsidiaries and associates have not been eliminated .Financial statements received from these subsidiaries and associates form the sole basis for their incorporation in these Consolidated Financial Statements.

2.2 The difference between cost to the Group of its investment in the subsidiaries and the group's portion of the equity of the subsidiaries is recognized as Goodwill/Capital Reserve.

2.3 Minority interest in the net assets of consolidated subsidiaries consist of:

a) The amount of equity attributable to the minority at the date on which investments in a subsidiary is made; and
b) The minority share of movements in equity since date of parent-subsidiary relationship came into existence.

SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE PARENT.

3. REVENUE RECOGNITION

3.1 Income / expenditure (other than items referred to in paragraph 3.5) is generally accounted for on accrual basis.

3.2 Income from Non- Performing Assets (NPAs), comprising of advances, and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices (hereafter collectively referred to as Regulatory Authorities).

3.3 Recoveries in NPA accounts (irrespective of the mode / status / stage of recovery actions) are appropriated in the following order of priority : -

a) Expenditure/out of pocket expenses incurred for recovery (earlier recorded in memorandum dues);

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b) Principal irregularities i.e. NPA outstanding in the account.
c) Towards the interest irregularities/accrued interest.

3.4 The sale of NPA is accounted as per guidelines prescribed by RBI and as disclosed under Para 5.4.

3.5 Commission (excluding on Government Business), interest on overdue bills, exchange, locker rent, income from merchant banking transactions and dividend income, Income on Rupee Derivatives designated as "Trading" are accounted for on realization and insurance claims are accounted for on settlement.

3.6 In case of suit filed accounts, related legal and other expenses incurred are charged to Profit & Loss Account and on recovery the same are accounted for as such.

3.7 Income from interest on refund of income tax is accounted for in the year the order is passed by the concerned authority.

3.8 Lease payments including cost escalation for assets taken on operating lease are recognised in the Profit and Loss Account over the lease term in accordance with the AS 19 (Leases) issued by ICAI.

3.9 Provision for Reward Points on Debit/Credit cards is made based on the accumulated outstanding points in each category.

3.10 Interest on unpaid and unclaimed matured term deposits is accounted for at savings bank rate.

4. INVESTMENTS

4.1 The transactions in Securities are recorded on "Settlement Date".

4.2 Investments are classified into six categories as stipulated in form A of the third schedule to the Banking Regulation Act, 1949.

4.3 Investments have been categorized into "Held to Maturity", "Available for Sale" and "Held for Trading" in terms of RBI guidelines. Securities acquired by the Bank with an intention to hold till maturity are classified under "Held to Maturity".

4.4 The securities acquired by the Bank with an intention to trade by taking advantages of short-term price/ interest rate movements are classified under "Held for Trading".

4.5 The securities, which do not fall within the above two categories, are classified under "Available for Sale"

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4.6 Investments in subsidiaries, joint ventures and associates are classified as HTM.

4.7 Transfer of securities from one category to another is carried out at the lower of acquisition cost/ book value/ market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for.

However, transfer of securities from HTM category to AFS category is carried out on book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

4.8 In determining acquisition cost of an investment

a. Brokerage / commission received on subscription is deducted from the cost of securities.

b. Brokerage, commission, Securities Transaction Tax (STT) etc. paid in connection with acquisition of securities are treated as revenue expenses upfront and excluded from cost.

c. Interest accrued up to the date of acquisition/sale of securities i.e. broken — period interest is excluded from the acquisition cost/sale consideration and the same is accounted in interest accrued but not due account.

d. Cost is determined on the weighted average cost method for all categories of investments.

4.9 Investments are valued as per RBI/ FIMMDA guidelines, on the following basis:

Held to Maturity

i) Investments under "Held to Maturity "category are carried at acquisition cost.

Wherever the book value is higher than the face value/redemption value, the premium is amortized over the remaining period to maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments".

ii) Investments in subsidiaries/joint ventures/associates are valued at carrying cost less diminution, other than temporary in nature for each investment individually.

iii) Investments in sponsored regional rural banks are valued at carrying cost.

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iv) Investment in Venture Capital is valued at carrying cost.

v) Equity shares held in HTM category are valued at carrying cost.

Available for Sale and Held for Trading

a)	**Govt. Securities**	
	I Central Govt. Securities	At market prices/YTM as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)
	II State Govt. Securities	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines.
b)	Securities guaranteed by Central / State Government, PSU Bonds (not in the nature of advances)	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines
c)	Treasury Bills	At carrying cost
d)	Equity shares	At market price, if quoted, otherwise at break up value of the Shares as per latest Balance Sheet (not more than one year old), otherwise at Re.1 per company
e)	Preference shares	At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per RBI/FIMMDA guidelines.
f)	Bonds and debentures (not in the nature of advances)	At market price, if quoted, or on appropriate yield to maturity basis as per RBI/FIMMDA guidelines.
g)	Units of mutual funds	As per stock exchange quotation, if quoted; at repurchase price/NAV, if unquoted
h)	Commercial Paper	At carrying cost
i)	Certificate of Deposits	At carrying cost
j)	Security receipts of ARCIL	At net asset value of the asset as declared by ARCIL
k)	Venture Capital Funds	At net asset value (NAV) declared by the VCF
l)	Other Investments	At carrying cost less diminution in value

The above valuation in category of Available for Sale and Held for Trading is done scrip wise on quarterly basis and depreciation/appreciation is aggregated for each classification. Net depreciation for each classification, if any, is provided for while net appreciation is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

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4.10 Investments are subject to appropriate provisioning/ de-recognition of income, in line with the prudential norms of Reserve Bank of India for NPI classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities. For NPI in preference share, debentures and bonds, in addition to valuation as above, further provision is made on Sub-standard and Doubtful assets as per NPA provisioning norms.

If any credit facility availed by an entity is NPA in the books of the Bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa. However, in respect of NPI preference share where the dividend is not paid, the corresponding credit facility is not treated as NPA.

4.11 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of investments in "Held to Maturity" category, an equivalent amount (net of taxes and amount required to be transferred to Statutory Reserve) is appropriated to "Capital Reserve Account"

4.12 Securities repurchased/resold under buy back arrangement are accounted for at original cost.

4.13 The derivatives transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market. As per RBI guidelines, different categories of swaps are valued as under: -

Hedge Swaps

Interest rate swaps which hedge interest bearing asset or liability are accounted for on accrual basis except the swaps designated with an asset or liability that are carried at market value or lower of cost in the financial statement.

Gain or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset/ liabilities.

Trading Swaps

Trading swap transactions are marked to market with changes recorded in the financial statements.

Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

4.14 **Foreign currency options**

Foreign currency options written by the bank with a back-to-back contract with another bank are not marked to market since there is no market risk.

Premium received is held as a liability and transferred to the Profit and Loss Account on maturity/cancellation.

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5. LOANS / ADVANCES AND PROVISIONS THEREON:

5.1 Advances are classified as performing and non-performing assets; provisions are made in accordance with prudential norms prescribed by RBI.

Advances are classified into Standard, Sub Standard, Doubtful and Loss assets borrower wise.

5.2 Advances are stated net of specific loan loss provisions, provision for diminution in fair value of restructured advances.

5.3 In respect of foreign offices, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

Loans and advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country.

5.4 Financial Assets sold are recognized as under:

(a) *For Sale of financial assets sold to SCs/RCs*

(i) If the sale to SCs/RCs is **at a price below the Net Book Value (NBV), the short fall should be debited to the Profit & Loss account of that year**. Bank can also use countercyclical / floating provisions for meeting the shortfall on sale of NPAs i.e when the sale is at a price below the NBV. However, for assets sold on or after 26.02.2014 and **upto 31.03.2016**, as incentive for early sale of NPAs, bank can spread over any shortfall, if the sale value is lower than the NBV, over a period of two years. This facility of spreading over the shortfall will be subject to necessary disclosures in the Notes to Accounts in Annual Financial Statements of the Bank.

(ii) **If the sale is for a value higher than the NBV, Bank can reverse the excess provision on sale of NPAs to its profit and loss account in the year, the amounts are received.** However, Bank can reverse excess provision (**when the sale is for a value higher than the NBV**) arising out of sale of NPAs, **only when the cash received (by way of initial consideration and/or redemption of SRs/PTCs) is higher than the NBV of the asset.** Further, reversal of excess provision will be limited to the extent to which cash received exceeds the NBV of the asset.

(b) *For Sale of financial assets sold to Other Banks/NBFCs/FIs etc.*

(i) In case the sale is at a price below the Net Book Value (NBV) i.e. Book Value less provision held, the shortfall should be debited to the Profit & Loss A/c of that year.

(ii) In case the sale is for a value higher than the Net Book Value (NBV) i.e. Book Value less provision held, the excess provision shall not be reversed but will be utilized to meet the shortfall/loss on account of sale of other NPAs.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

5.5 For restructured/rescheduled advances, provisions are made in accordance with guidelines issued by RBI.

In respect of non-performing loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

5.6 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions – Others" and are not considered for arriving at the Net NPAs.

5.7 In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ` 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

5.8 Provision for Country Exposure:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorised into

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seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the "Other liabilities & Provisions – Others".

6. FIXED ASSETS

6.1 Fixed assets are stated at historical cost less accumulated depreciation/amortisation, wherever applicable, except those premises, which have been revalued. The appreciation on revaluation is credited to revaluation reserve and incremental depreciation attributable to the revalued amount is deducted therefrom.

6.2 Software is capitalized and clubbed under Intangible assets.

6.3 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset till the time of capitalization. Subsequent expenditure/s incurred on the assets are capitalised only when it increases the future benefits from such assets or their functioning capability.

6.4 DEPRECIATION

A. Depreciation on assets (including land where value is not separable) is provided on straight-line method based on estimated life of the asset, except in respect of computers where it is calculated on the Straight Line Method, at the rates prescribed by RBI.

B. Depreciation on assets has been provided at the rates furnished below:-

Particulars	Rate of Depreciation
Land acquired on perpetual lease where no lease period is mentioned	Nil
Land acquired on lease where lease period is mentioned	Over lease period
Building	
• Constructed on free hold land and on leased land, where lease period is above 40 years	2.50%
• Constructed on leased land where lease period is below 40 years.	Over lease period
Built-up Assets taken over from erstwhile New Bank of India & Nedungadi Bank Ltd	4.00%
Furniture and fixtures- Steel articles	5.00%
Furniture and fixtures-wooden articles	10.00%
Mattresses	20.00%
Mobile Phone Instruments	33.33%
Machinery, electrical and miscellaneous articles	15.00%

Motor cars and cycles	15.00%
Computers, ATMs and related items, laptop, i pad	33.33%
Computer Application Software – Intangible Assets	
- Up to Rs. 5,000	Charged to Revenue
- Others	20.00%

C Depreciation on fresh additions to assets other than bank's own premises is provided from the month in which the assets are put to use and in the case of assets sold/disposed off during the year, up to the month preceding the month in which it is sold/ disposed off.

D. The depreciation on bank's own premises existing at the close of the year is charged for full year. The construction cost is depreciated only when the building is complete in all respects. Where the cost of land and building cannot be separately ascertained, depreciation is provided on the composite cost, at the rate applicable to buildings.

E. In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year(s).

7. IMPAIRMENT OF ASSETS

The carrying costs of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors.

An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, if any, depreciation is provided on the revised carrying cost of the asset over its remaining useful life.

A previously recognized impairment loss is increased or reversed depending on changes in circumstances.

However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

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8. **EMPLOYMENT BENEFITS**

- **PROVIDENT FUND:**

Provident fund is a defined contribution scheme as the Bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contribution are charged to Profit & Loss A/c.

- **GRATUITY:**

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

- **PENSION:**

Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

The Bank operates a New Pension Scheme (NPS) for all officers/ employees joining the Bank on or after 01.04.2010. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of registration procedures of the employees concerned, these contributions are retained. The Bank recognizes such annual contributions and interest as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

- **COMPENSATED ABSENCES:**

Accumulating compensated absences such as Privilege Leave (PL) and Sick Leave (including unavailed casual leave) are provided for based on actuarial valuation.

- **OTHER EMPLOYEE BENEFITS:**

Other Employee Benefits such as Leave Fare Concession (LFC), Silver Jubilee Award, etc. are provided for based on actuarial valuation.

In respect of overseas branches and offices, the benefits in respect of employees other than those on deputation are valued and accounted for as per laws prevailing in the respective countries.

9. **TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS & BALANCES:**

Transactions involving foreign exchange are accounted for in accordance with AS 11, "The Effect of Changes in Foreign Exchange Rates".

9.1 Except advances of erstwhile London branches which are accounted for at the exchange rate prevailing on the date of parking in India, all other monetary assets and liabilities, guarantees, acceptances, endorsements and other

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obligations are initially recorded at a notional rate and translated in Indian Rupee equivalent at the exchange rates prevailing as on the Balance Sheet date as per Foreign Exchange Dealers' Association of India (FEDAI) guidelines.

9.2 Non-monetary items other than fixed assets which are carried at historical cost are translated at exchange rate prevailing on the date of transaction.

9.3 Outstanding Forward exchange spot and forward contracts are translated as on the Balance Sheet date at the rates notified by FEDAI and the resultant gain/loss on translation is taken to Profit & Loss Account.

Foreign exchange spot/forward contracts/deals (Merchant and Inter-bank) which are not intended for trading/Merchant Hedge and are outstanding on the Balance Sheet date, are reverse re-valued at the closing FEDAI spot/forward rate in order to remove revaluation effect on exchange profit. The premium or discount arising at the inception of such a forward exchange contract is amortised as interest expense or income over the life of the contract.

9.4 Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the Profit and Loss Account.

9.5 Offices outside India / Offshore Banking Units:

i. Operations of foreign branches and off shore banking unit are classified as "Non-integral foreign operations" and operations of representative offices abroad are classified as "integral foreign operations"
ii. Foreign currency transactions of integral foreign operations and non-integral foreign operations are accounted for as prescribed by AS-11.
iii. Exchange Fluctuation resulting into Profit / loss of non-integral operations is credited /debited to Exchange Fluctuation Reserve.

10. TAXES ON INCOME

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively after taking into account taxes paid at

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the foreign offices, which are based on the tax laws of respective jurisdictions.

Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgment as to whether their realisation is considered as reasonably/virtually certain.

11. Earnings per Share:

The Bank reports basic and diluted earnings per share in accordance with AS 20 -'Earnings per Share' issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

12. Provisions, Contingent Liabilities and Contingent Assets:

- In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.
- Provision for reward points in relation to the debit card holders of the Bank is being provided for on actuarial estimates.

- Contingent Assets are not recognised in the financial statements.

13. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold,

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which is treated as deposits/advances as the case may be with the interest paid / received classified as interest expense/income.

14. Segment Reporting

The Bank recognizes the Business segment as the Primary reporting segment and Geographical segment as the Secondary reporting segment, in accordance with the RBI guidelines and in compliance with the Accounting Standard 17 issued by ICAI.

NOTES TO ACCOUNTS

1. The subsidiaries considered in the preparation of the consolidated financial statements are as under:

(in %)

Name of the Subsidiary Company	Country of incorporation	% Voting power held as at	
		31st March, 2016	31st March, 2015
1. PNB Gilts Limited*	India	74.07	74.07
2. PNB Housing Finance Limited	India	51.01	51.00
3. Punjab National Bank (International) Ltd.	United Kingdom	100.00	100.00
4. PNB Investment Services Ltd.	India	100.00	100.00
5. Druk PNB Bank Ltd.	Bhutan	51.00	51.00
6. PNB Insurance Broking Pvt Ltd#	India	81.00	81.00

* The financial statements of these companies are subject to Supplementary Audit by the Comptroller & Auditor General of India, under the Companies Act, 2013 and receipt of their report.

#Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

Associates / Joint Venture considered in consolidated financial statements are as under:

(in %)

Name of the Associate Company	Country of incorporation	Proportion of ownership percentage as at	
		31st March, 2016	31st March, 2015
1. Madhya Bihar Gramin Bank, Patna.	India	35	35
2. Sarva Haryana Gramin Bank,Rohtak	India	35	35
3. Himachal Pradesh Gramin Bank, Mandi.	India	35	35

Name of the Associate Company	Country of incorporation	Proportion of ownership percentage as at	
		31st March, 2016	31st March, 2015
4. Punjab Gramin Bank, Kapurthala.	India	35	35
5. Sarva UP Gramin Bank, Meerut.	India	35	35
6. Everest Bank Ltd. **(Joint Venture)**	Nepal	20	20
7. Principal PNB Asset Management Co. Pvt. Ltd.	India	21.38	21.38
8. Principal Trustee Co. Pvt. Ltd.	India	30	30
9. PNB Metlife India Insurance Company Ltd	India	30	30
10. JSC SB PNB Kazakhstan**	Kazakhastan	49	84.375

**Previously JSC SB PNB Kazakhstan was subsidiary of PNB with majority stake of 84.38%. On 10.09.2015, local shareholders increased their stake to 51%. Accordingly, PNB's stake in PNB Kazakhstan declined to 49% only.

Footnote:

2.1 Everest Bank Ltd. follows accounting year different from that of the Parent.

2.2 The bank's share in the following Associates have been considered in the accounts on the basis of un-audited financial statements received for the year 2015-16.

a) Principal Trustee Co. Pvt. Ltd.
b) Principal PNB Asset Management Co. Pvt. Ltd.
c) Everest Bank Limited, Nepal (Joint Venture)
d) All the five RRBs.

2.3The break-up of Capital Reserve/Goodwill is as follows: -

		(`. in Crore)
Particulars	As on 31.03.2016	As on 31.03.2015
Goodwill	NIL	NIL
Capital Reserves	99.14	141.07
Goodwill (Net)	NIL	NIL
Capital Reserve on Consolidation	99.14	102.52

2.4 Perpetual bonds/subordinated debt raised as Tier I and Tier II Capital:

(`. in Crore)

Particulars	As on 31.03.2016	As on 31.03.2015
Amount of subordinated debt raised as Lower Tier-II Capital during the year	1791.26	2077.50
Amount of subordinated debt raised as Upper Tier-II Capital during the year	0	200.00
Amount of perpetual bonds raised as Tier-I Capital during the year	0	1500

The capital adequacy ratio (Basel II and Basel III) of the bank group is as under:

	Basel II	
Particulars	(31.03.2016)	(31.03.2015)
CRAR%	13.66	13.64
CRAR – Tier I capital (%)	9.56	9.90
CRAR – Tier II capital (%)	4.10	3.74

	Basel III	
Particulars	(31.03.2016)	(31.03.2015)
Common equity Tier 1 Capital ratio (%) (Basel- III)	8.48	9.14
Tier 1 Capital ratio (%) (Basel- III)	10.16	9.67
Tier 2 Capital ratio (%) (Basel- III)	2.99	3.23
Total Capital ratio (CRAR) (%) (Basel- III)	13.15	12.89

Disclosures required by Accounting Standards

4.1 AS 5 - Prior Period and Change in Accounting Policy

There were no material prior period income/expenditure items requiring disclosure under AS-5 issued by The Institute of Chartered Accountants of India.There is no change in any accounting policies followed in the previous year.

4.2 AS 6 - Depreciation accounting

-Break up of total depreciation for the year for each class of assets

(`. in Crore)

Particulars (Class of Assets)	Year ended 31.03.2016	Year ended 31.03.2015
Premises	14.54	10.53
Other fixed assets	358.82	335.20
Leased assets	4.89	2.7
Computer software	37.94	32.10
Total	416.19	380.53

4.3 AS 9 - Revenue Recognition

The income which has been accounted for on realization basis are not considered to be material.

4.4 AS 11- Changes in foreign exchange rates:
Movement of Exchange Fluctuation Reserve

Amount (`. In Crore)

Particulars	31.03.2016	31.03.2015
Opening Balance	267.25	236.23
Credited during the year	70.48	63.46
Withdrawn during the year	0.49	3.16
Closing Balance	337.24	296.53

4.5 <u>AS 15 – Employees Benefits (Parent Company):</u>

DISCLOSURE IN ACCORDANCE WITH AS-15(R):

In line with the accounting policy and as per the Accounting Standard – 15(R), the summarized position of employment benefits is as under:

A. Defined Benefit Plans

TABLE I - Principal Acturial Assumptions and the basis of these assumptions						
Acturial Assumptions	**PENSION**		**GRATUITY**		**LEAVE ENCASHMENT**	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**
Discount Rate	8.17%	8.03%	8.17%	8.00%	8.17%	8.00%
Expected Return on Plan Assets	8.61%	8.61%	8.61%	8.61%	0.00%	0.00%
Rate of Escalation In salary	5.75%	5.50%	5.75%	5.50%	5.75%	5.50%
Attrition Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

TABLE II - Changes in Present value of the obligation						
						(ALL AMOUNTS IN CRORES)
	PENSION		**GRATUITY**		**LEAVE ENCASHMENT**	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**

Present value of Obligation at the beginning of period	18217.4	15162.79	**2419.83**	2609.46	**1308.47**	1288.68
Interest Cost	1415.01	1342.45	**177.78**	222.47	**95.43**	107.82
Current Service Cost	476.83	430.46	**197.68**	182.86	**44.48**	41.53
Benefits paid	(1191.77)	(821.16)	(395.24)	(329.48)	(231.22)	(207.74)
Acturial loss / (gain) on obligations (Balancing Figure)	1262.22	2102.86	**215.89**	(265.48)	**184.36**	78.19
Present value of Obligation	**20179.68**	**18217.4**	**2615.94**	**2419.83**	**1401.53**	**1308.47**

TABLE III - Changes in the FV of the Plan Assets						
	PENSION		**GRATUITY**		**LEAVE ENCASHMENT**	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**
FAIR value of Plan Assets, at the beginning of period	17373.01	14756.02	2836.40	2756.05	-	-
Expected return on Plan assets	1579.46	1335.11	227.20	233.46	-	-
Contributions by Bank, employees	3134.8	2322.08	0.00	240.33	231.22	207.74
Benefits Paid	(1191.77)	(821.16)	(395.24)	(329.48)	(231.22)	(207.74)
Acturial (loss) / gain on Plan Assets(Balancing Figure)	(53.78)	(219.04)	(1.61)	(63.96)	-	-
FAIR value of Plan Assets, 31.03.2015	**20841.72**	**17373.01**	**2666.75**	**2836.40**	-	-

TABLE IV - Actual Return on Plan Assets						
	PENSION		**GRATUITY**		**LEAVE ENCASHMENT**	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**
Expected return on Plan Assets	1579.46	1335.11	227.2	233.46	-	-
Acturial (loss) / gain on Plan Assets	(53.78)	(219.04)	(1.61)	(63.96)	-	-
Actual Return on Plan Assets	**1525.68**	**1116.07**	**225.59**	**169.50**		

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TABLE V - Net Acturial (Gain) / loss Recognized						
	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**
Acturial gain / (loss) for the period - Obligations	(1262.22)	(2102.86)	(215.89)	265.48	(184.36)	(78.19)
Acturial gain / (loss) for the period - Plan Assets	(53.78)	(219.04)	(1.61)	(63.96)	0	-
Total (Gain) / Loss for he period	1316.00	2321.90	217.49	(201.52)	184.36	78.19
Acturial (gain) or loss recognised in the period	**1316.00**	**2321.90**	**217.49**	**(201.52)**	**184.36**	**78.19**
Unrecognised Acturial (gain) / loss at the end of the year	0.00	0.00	0.00	0.00	0.00	0.00

TABLE VI - Amount recognised in Balance Sheet						
	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**
Present value of Obligation	20179.68	18217.4	2615.94	2419.83	1401.53	1308.47
FAIR value of Plan Assets	20841.72	17373.01	2666.75	2836.4	0	0
Difference	(662.04)	844.39	(50.81)	(416.57)	1401.53	1308.47
Unrecognised Transitional Liabilty	0	0	0	0	0	0
Unrecognised Past Service cost - vested benefits - Carried Forward	0	0	0	0	0	0
Liability Recognised in the Balance Sheet	**0**	**844.39**	**0**	**0**	**1401.53**	**1308.47**
Negative amount determined under under Paragraph 55 of AS-15 (R)	(662.04)	0	(50.81)	(416.57)	0.00	0.00
Present value of available refunds and reductions in future contributions	662.04	0	50.81	416.57	0.00	0.00

Resulting asset as per Paragraph 59 (b) of AS-15 (R)	**662.04**	**0**	**50.81**	**416.57**	**0.00**	**0.00**

TABLE VII - Expense to be recognised in Profit and loss statement						
	PENSION		**GRATUITY**		**LEAVE ENCASHMENT**	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**
Current Service Cost	476.83	430.46	197.68	182.86	44.48	41.53
Interest cost	1415.01	1342.45	177.78	222.47	95.43	107.82
Expected return on Plan assets	1579.46	1335.11	(227.20)	(233.46)	0	0
Net Acturial (gain) / loss recognised in year	1316.00	2321.90	217.49	(201.52)	184.36	78.19
Past Service Cost-Recognised	0	551.53	0.00	113.20	0	0
Expenses recognised in the statement of profit and loss	**1628.37**	**3311.23**	**365.76**	**83.55**	**324.27**	**227.53**

TABLE VIII- Movement in Net Liability to be recognised in Balance Sheet						
	PENSION		**GRATUITY**		**LEAVE ENCASHMENT**	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**
Opening Net Liability	844.39	(144.76)	(416.57)	(259.79)	1308.47	1288.68
EXPENSE	1628.37	3311.23	365.76	83.55	324.27	227.53
CONTRIBUTIONS PAID	(3134.80)	(2322.08)	0.00	(240.33)	(231.22)	(207.74)
Closing Net Liability (Liability recognised in B/S in current period)	**(662.04)**	**844.39**	**(50.81)**	**(416.57)**	**1401.53**	**1308.47**

TABLE IX -Amount for the current Period					
	PENSION				
	31.03.2016	**31.03.2015**	**31.03.2014**	**31.03.2013**	**31.03.2012**
Present value of Obligation	20179.68	18217.40	15162.79	13559.18	11668.83

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पंजाब नैशनल बैंक

FAIR value of Plan Assets	20841.72	17373.01	14756.02	12419.39	10191.91
Surplus / (Deficit) before unrecognised past service cost	662.04	(844.39)	(406.77)	(1139.79)	(1476.92)
Experience Adjustments in Plan Liabilities -(loss) / Gain	(1476.60)	48.45	(620.16)	251.23	22.29
Experience Adjustments in Plan Assets (loss) / gain	**(53.78)**	**(219.04)**	**(294.47)**	**32.76**	**(153.08)**

	GRATUITY				
	31.03.2016	**31.03.2015**	**31.03.2014**	**31.03.2013**	**31.03.2012**
Present value of Obligation	2615.94	2419.83	2609.46	2656.77	2556.20
FAIR value of Plan Assets	2666.75	2836.4	2756.05	2584.59	2216.31
Surplus / (Deficit) before unrecognised past service cost	50.81	416.57	146.59	(72.18)	(339.89)
Experience Adjustments in Plan Liabilities -(loss) / Gain	(218.33)	406.75	106.95	91.32	75.90
Experience Adjustments in Plan Assets (loss) / gain	**(1.61)**	**(63.96)**	**(34.84)**	**11.02**	**(21.07)**

	LEAVE ENCASHMENT	
	31.03.2016	**31.03.2015**
Present value of Obligation	1401.53	1308.47
FAIR value of Plan Assets	0	0
Surplus / (Deficit) before unrecognised past service cost	(1401.53)	(1308.47)
Experience Adjustments in Plan Liabilities -(loss) / Gain	(250.27)	(865.00)

Experience Adjustments in Plan Assets (loss) / gain	**0**	**0**

TABLE X -Major Categories of Plan Assets (as percentage of Total Plan Assets)				
	In percentage			
	PENSION		**GRATUITY**	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**
Government Of India Securites	10.00	12.78	16.00	15.45
State Govt Securities	35.00	36.91	35.00	33.21
High Quality Corporate Bonds	17.00	35.47	18.00	35.60
Equity Shares of listed companies	1.00	0.00	0.00	0.00
Property	0.00	0.00	0.00	0.00
Special deposit scheme	6.00	6.55	8.00	6.69
Funds managed by Insurer	18.00	7.37	6.00	8.86
Other- Bank Deposits and CDs	13.00	0.92	17.00	0.19
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**

TABLE XI -ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR				
	Pension (Funded)		**Gratuity (Funded)**	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**
Bank's best estimate of Contibution during next year	2000.00	2600.00	500.00	500.00

TABLE XII- Other Long Term employee benefits (Unfunded)						
Particulars	**Sick Leave & Casual leave (Unfunded)**		**Leave Fare concession (unfunded)**		**Silver Jubiliee Bonus (unfunded)**	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**

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Present Value of Obligation	60.86	176.26	108.32	124.02	12.05	11.76
Opening Balance of Transitional Liability	0	0	0	0	0	0
Transitional Liability recogized in the year	0	0	0	0	0	0
Closing Balance Of Transitional Liability	0	0	0	0	0	0
Liabity Recognized in balance Sheet	**60.86**	**176.26**	**108.32**	**124.02**	**12.05**	**11.76**

Particulars	Basis of assumption
Discount rate	Discount rate has been determined by reference to market yields on the balance sheet date on Government Bonds of term consistent with estimated term of the obligations as per para 78 of AS15R.
Expected rate of return on plan assets	The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation.
Rate of escalation in salary	The estimates of future salary increases considered in actuarial valuations taking into account inflation, seniority, promotion and other relevant factors mentioned in paras 83-91 of AS15**R**.
Attrition rate	Attrition rate has been determined by reference to past and expected future experience and includes all types of withdrawals other than death but including those due to disability.

During the year Bank has aligned its policy with regard to valuation of Plan Assets from Book Value to Fair value in accordance with AS 15 issued by ICAI . As a result of the change, the value of plan asset has increased by Rs 388.07 crores in respect of Pension Fund and by Rs 53.08 crores in respect of Gratuity Fund.

B. Defined Contribution Plans :

The Bank has Defined Contribution Plan applicable to all categories of employees joining the Bank on or after 01.04.2010. The scheme is managed by NPS trust under the aegis of the pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During the FY 2015-16, the Bank has contributed Rs 87.17 crores (Previous year Rs 54.89)

4.6 SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH 2016

(As compiled by the management and relied upon by Auditors)

(₹. in lacs)

Sl. No.	Particulars		Year Ended 31.03.2016 (Audited) (Consolidated)	Year Ended 31.03.2015 (Audited) (Consolidated)
i.	**Segment Revenue**			
	a)	Treasury	1515055	1350437
	b)	Corporate/Wholesale Banking	2606137	2528790
	c)	Retail Banking	1566951	1560816
	d)	Other Banking Operations	89905	48399
	Total		5778048	5488442
ii.	**Segment Results**			
	a)	Treasury	355843	148682
	b)	Corporate/Wholesale Banking	684832	772831
	c)	Retail Banking	422536	502894
	d)	Other Banking Operations	22355	12389
	Total		1485566	1436796
iii.	Unallocated Expenses		175566	163268
iv.	Operating Profit		1310000	1273528
v.	Provision for Tax		-160356	107084
vi.	Extraordinary Items		-	-
vii.	Share of Earnings in Associates (Net)		15319	18402
viii.	Minority Interest		17969	12584
ix.	Net Profit		-368977	339959
	Other Information:			
x.	**Segment Assets**			
	a)	Treasury	17336034	16244582
	b)	Corporate/Wholesale Banking	36899694	32238843
	c)	Retail Banking	13726920	13455503
	d)	Other Banking Operations	2327075	1154296
	Sub Total			63093224
	e)	Unallocated Assets	989573	507893
	Total Assets		71279296	63601117
xi.	**Segment Liabilities**			
	a)	Treasury	16293061	15001441
	b)	Corporate/Wholesale Banking	34267176	29634992
	c)	Retail Banking	14420525	13612339
	d)	Other Banking Operations	2118109	1074632
	Sub Total			59323404
	e)	Unallocated Liabilities	0	73769
	Total Liabilities		67098871	59397173

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Part B – GEOGRAPHIC SEGMENTS

Sl. No	Particulars		Year Ended 31.03.2016 (Audited) (Consolidated)	Year Ended 31.03.2015 (Audited) (Consolidated)
1.	**Revenue**			
	a)	Domestic	5580483	5331471
	b)	International	197565	156971
	Total		5778048	5488442
2.	**Assets**			
	a)	Domestic	60367422	55869636
	b)	International	10911874	7731481
	Total		71279296	63601117

Note

1. Segment Liabilities are distributed in the ratio of their respective Segment Assets.
2. Figures of the previous period have been re-grouped / reclassified wherever necessary to make them comparable.

4.7 Disclosure of Related Parties as per AS –18 issued by ICAI - Parent Company

Names of the related parties and their relationship with the Bank:

Key Management Personnel:

i) Mrs. Usha Ananthasubramanian, Managing Director & CEO w.e.f. 14.08.2015.

ii) Shri Gauri Shankar, Executive Director (Also remained as Managing Director & CEO w.e.f. 09.02.2015 to 09.08.2015).

iii) Shri K.V.Brahmaji Rao, Executive Director.

iv) Dr .Ram S.Sangapure, Executive Director.

Subsidiaries:

i) PNB Gilts Ltd.

ii) PNB Housing Finance Ltd.

iii) Punjab National Bank (International) Ltd., UK

iv) PNB Investment Services Ltd.

v) Druk PNB Bank Ltd, Bhutan.

vi) PNB Insurance Broking Pvt Ltd*.

Associates:

i) Principal PNB Asset Management Company Pvt. Ltd.

ii) Principal Trustee Company Private Limited

iii) PNB Metlife India Insurance Company Ltd.

iv) JSC (Tengri Bank) Kazakhstan **

v) Madhya Bihar Gramin Bank, Patna.

vi) Sarva Haryana Gramin Bank, Rohtak

vii) Himachal Pradesh Gramin Bank, Mandi

viii) Punjab Gramin Bank, Kapurthala

ix) Sarva UP Gramin Bank, Meerut.

*1. Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011. M/s Rathi & Associates has been appointed as CA/CS and Mr. Himanshu Kamdar as Liquidator to complete the process of winding up.

2. The company has received a show cause notice from service tax authorities in FY 2011-12 and company responded to the show cause notice for disputed amount of Rs. 4.15 Crore. The company does not forsee any liability for the same.

**Previously JSC SB PNB Kazakhstan was subsidiary of PNB with majority stake of 84.38%. On 10.09.2015, local shareholders increased their stake to 51%. Accordingly, PNB's stake in PNB Kazakhstan declined to 49% only and its name has also been changed as JSC (Tengri Bank) Kazakhstan.

Joint Venture:

i) Everest Bank Limited, Nepal

Transactions with Related Parties*

(₹ in crore)

Items/ Related Party	Parent** (as per ownership or control)		Subsidiaries **		Associates/ Joint ventures		Key Management Personnel		Relatives of Key Management Personnel		Total	
	201516	Maximum amount outstanding	201516	Maximum amount outstanding	201516	Maximum amount outstanding	201516	Maximum amount outstanding	201516	Maximum amount outstanding	201516	Maximum amount outstanding
Remuneration	N.A	N.A	N.A	N.A			102.29	NA	NA	NA	102.29	NA
	N.A	N.A	N.A	N.A	--	--	(100.74)	NA	NA	NA	(100.74)	NA
Borrowings	N.A	N.A	N.A	N.A	–	--	-	-	-	-	-	-
Deposits	N.A	N.A	N.A	N.A	4982.89		44.20	50.16	41.07	41.07	5068.16	91.23
	N.A	N.A	N.A	N.A	(9010.29)	--	(4.97)	(21.29)	(4.83)	(25.95)	(9020.09)	(47.24)
Placement of Deposits	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A	-	-	-	-	-	-	-	-
Advances	N.A	N.A	N.A	N.A	1500.00				179.10	179.10	1679.10	179.10
	N.A	N.A	N.A	N.A	(2600.00)	--	--	--	(36.12)	(36.12)	(2636.12)	(36.12)
Investments in share capital	N.A	N.A	N.A	N.A	463.68						463.68	-
	N.A	N.A	N.A	N.A	(127.83)	--	--	--	--	--	(127.83)	-
Investments in debentures	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A		--	--	--	--	--		
Non funded Commitments	N.A	N.A	N.A	N.A	--	--	--	--	--	--	--	--
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements provided	--	--	--	--	--	--	--	--	--	--	--	--
Purchase of fixed	--	--	--	--	--	--	--	--	--	--	--	--

assets												
Sale of Fixed Assets	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Interest paid	N.A	N.A	N.A	N.A	675.32						675.32	-
	N.A	N.A	N.A	N.A	(510.53)	–	–	–	–	–	(510.53)	-
Interest received	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Receiving of Services	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Rendering of Services	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Management contracts	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Dividend received	N.A	N.A	N.A	N.A	–						--	--
	N.A	N.A	N.A	N.A	(11.89)	–	–	–	–	–	(11.89)	-
Bank Charges					–	–	–	–	–	–	–	–
Commission Received					–	–	–	–	–	–	–	–

*As compiled and certified by the management.

(Figures in brackets relate to previous year)

**The transactions with the subsidiaries and certain associates have not been disclosed in view of para-9 of AS-18 'Related Party Disclosure', which exempts state controlled enterprises from making any disclosures pertaining to their transactions with other related parties, which are also state controlled.

4.8. Accounting for Leases – AS 19

Financial Leases:

Rs in Crores

	31.03.2016	**31.03.2015**
Original value of assets acquired on financial lease and included in other fixed assets (including furniture and fixture)	**0.42**	**0.42**
The amount of depreciation provided upto 31.03.2016 thereon	**0.42**	**0.42**
The written down value as on 31.03.2016	**0.00**	**0.00**
Minimum Lease Payment due not later than one year	**0.00**	**0.00**
Minimum Lease Payment due later than one year but not later than five years	**0.00**	**0.00**

Minimum Lease Payment due later than five years	**0.00**	**0.00**
Operating leases	**28.54**	**32.66**
1. Minimum Lease payment due not later than 1 year	**14.87**	**12.73**
Ii Minimum Lease Payment due later than 1 year but not later than 5 years	**13.67**	**19.92**

4.9. AS 20 - Earnings Per Share

(₹. In crore)

Particulars	As on 31.03.2016	As on 31.03.2015
Earnings per Share Basic Diluted *	 -19.19 -19.19	 18.78 18.78
Amount used as numerator Profit after tax (Rs. In Crore)	-3663.27	3399.59
Nominal value of shares	Rs 2.00	Rs 2.00
Weighted avrage number of equity shares used as the denominator	1909375143	1810470746

4.10 Major components of deferred tax assets and liability are set out below:

Particulars	As on 31.03.2016	As on 31.03.2015
Deferred Tax Assets		
Provision for bad & doubtful debts	4562.80	1408.52
Provision for leave encashment	522.37	524.89
Provision for Pension & Gratuity	0.04	0.03
Statutory Liabilities u/s 43B	0.56	0.34
Others	27.36	1.26
Total	5113.13	1935.04
Deferred Tax Liabilities		
Depreciation on fixed assets	-6.03	5.03
Deduction u/s 36(1)(viii)of income tax Act,1961	467.47	429.07
Others	39.07	21.48
Total	500.51	455.58
Deferred Tax Assets/ (Liability) – Net	4612.62	1479.46

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4.11 AS 28 - Impairment of Assets

A substantial portion of the bank's assets comprise of 'financial assets' to which Accounting Standard 28 'Impairment of Assets' is not applicable. In the opinion of the bank, there is no impairment of its assets (to which the standard applies) to any material extent as at 31st March 2016 requiring recognition in terms of the said standard.

4.12 AS 29 - Provisions, Contingent Liabilities and Contingent Assets

i. Movement of provisions for liabilities *

(₹. In Crores)

Particulars	Salary arrears under negotiation	Legal cases/contingencies
Balance as at 1st April 2015	1294	18.05
Provided during the year	145	4.65
Amounts used during the year	1430.66	1.51
Reversed during the year	0	1.30
Balance as at 31st March 2016	8.34	19.89
Timing of outflow/uncertainties	NIL	NIL

* Excluding provisions for others

ii **Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account is as follows:**

(₹. In Crore)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Provisions for depreciation on investment	350.24	-563.69
Provision towards NPAs	18800.68	8262.05
Floating provisions for NPAs (over and above RBI provisioning norms)	0	0
Provision towards Standard Assets	272.54	437.68
Provision made towards Income Tax (including FBT & Wealth Tax)	-1629.85	1055.67
Others Provision & Contingencies	-956.37	183.15
Total	**16837.24**	**9374.86**

4.13 Break-up of Floating Provisions is as follows:

(₹. in crore)

Particulars	31.03.2016	31.03.2015
Opening balance as on 01.04.2015/01.04.2014	360.25	758.29
Quantum of floating provisions made during the year	0	0
Purpose and amount of draw down made during the year	0	398.04
Closing balance as on 31.03.2016/31.03.2015	360.25	360.25

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4.14 Refer Schedule-12 on Contingent Liabilities

Such liabilities are dependent upon, the outcome of Court/arbitration/out of court settlement, disposal of appeals, and the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, respectively. No reimbursement is expected in such cases.

4.15 The Parent Bank has issued a Letter of Comfort to Prudential Regulation Authority (PRA), the regulator in United Kingdom, committing that the bank shall provide financial support to its subsidiary, Punjab National Bank (International) Ltd., UK so that it meets its financial commitments as and when they fall due.

The Prudential Regulatory Authority (PRA), regulator of UK, has placed the subsidiary Bank under 'watch list' while there are no restrictions or penalties, PNBIL has put in place, a board approved, remediation plan to be implemented by 30.06.2016 to address the issues.

However, no financial obligation has arisen out of such arrangement during the period ending 31st March, 2016.

The detail of Letters of Comfort / Letters of undertaking issued and outstanding as at 31st March, 2016.

(₹. in Crore)

	2015-16	2014-15
Letter of Comforts (LOC)/ Letter of Undertaking (LoU) issued during 2015-16	34741	43097
LoC / LoU matured / cancelled during 2015-16	16068	20147
LoC / LoU outstanding as at 31.03.2016	18673	22960

- The above mentioned LoC / LoU have been issued within the sanctioned Trade Credit Limits and forms an integral part of the contingent liabilities reported in the Bank's Balance Sheet under the Head – Acceptance, Endorsements and other Obligations.
- The above data is as compiled by the Management.

5. Other Notes

a. Premises includes properties amounting to ₹ 1.66 crore (Net of Depreciation) (previous year ₹ 2.99 crore) {Cost ₹ 7.47 crore} (previous year ₹ 7.47 crore) are awaiting registration of title deeds. Premises include capital work in progress of ₹ 238.85 crore (previous year ₹ 77.24 crore).

b. In terms of RBI Master Circular No. DBR No. BP. BC.1/21.06.201/2015-16 dated 01.07.15,the Bank has initiated an exercise to revalue its immovable properties for the purpose of creation of Revaluation Reserve. As on March, 16, 60 properties, Book Value Rs. 2035.39 Crs. have been revalued at Rs. 3513.14 Crs. creating a Revaluation Reserve of Rs.1477.86 Crs., thereby Tier I Capital has been increased by Rs.665.03 Crs.The remaining properties are in the process of revaluation.

c. During the FY year 2015-2016 the bank has allotted 109040543 equity shares of ₹2/- each to Government of India at a premium of ₹ 156.84 per share as determined by the Board in terms of the Chapter VII of the SEBI (ICDR) Regulations, 2009, as amended from time to time on preferential basis. The total amount received by the bank on this account is ₹. 1732 crores which includes ₹ 21.81crores as equity capital and ₹ 1710.19 crores as premium. Consequently the Government holding has increased to 62.08 % as against 59.86% before preferential allotment.

d. During the year, as a part of asset quality review, RBI has advised the Bank to revise asset classification/provisions in respect of certain advance accounts over the two quarters ending 31.12.2015 and 31.03.2016. The Bank has accordingly, implemented the advice of the RBI.

6. Figures of the corresponding previous year have been regrouped/ rearranged/reclassified wherever considered necessary.

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Abridged Consolidated Balance Sheet of Punjab National Bank
as on March 31, 2016

(All amounts in ₹ lac)

	As on March 31, 2016	As on March 31, 2015
CAPITAL & LIABILITIES		
Capital	39272	37091
Reserves & Surplus		
Statutory Reserves	994826	991293
Capital Reserves(including minority interest)	508623	333852
Share Premium	971659	772951
Revenue and other Reserves	1643420	2041998
Balance in Profit & Loss Account	95490	81654
Deposits		
Demand Deposits	3800281	3454398
Savings Bank Deposits	17064635	15108177
Term Deposits	36173348	32961968
Borrowings		
Borrowings in India		
(a) from Reserve Bank of India	1775600	127100
(b) from other Banks	501444	896033
(c) from other Institutions and Agencies	4292899	2740422
Borrowings outside India	1597431	2156921
Other liabilities and provisions		
Bills Payable	252005	239883
Inter-Office adjustments (net)	822	1723
Interest accrued	191379	155619
Provisions towards standard assets	289713	290997
Deferred Tax Liability (Net)		
Others	1086449	1209037
Total Capital and Liabilities	**71279296**	**63601117**
ASSETS		
Cash and balances with Reserve Bank of India	2649219	2443578
Balances with Banks & Money at Call & Short Notice		
Balances with Banks in India	1120179	803544
Money at Call and Short Notice in India	2381	0
Balances outside India	3933159	2578800
Investments		
In India		
(a) Government Securities	12965896	12757885
(b) Other Approved Securities	18830	18784
(c) Shares	451025	360436
(d) Debentures and Bonds	1980538	1653981
(e) Subsidiaries and/or joint ventures	154425	127120
(f) Others	455936	569248
Outside India	485998	188712
Advances		
In India		
(a) Bills purchased and discounted	2969516	2917025
(b) Cash Credits, Overdrafts & Loans repayable on demand	17624301	14585233
(c) Term Loans	18096966	17071791
Outside India	5917520	5887357
Fixed Assets	530812	365577
Other Assets		
Inter-Office adjustments(net)	0	0
Interest accrued	475369	432208
Tax paid in advance / deducted at source	162998	158816
Deferred tax asset (net)	461263	147938
Non-banking assets acquired in satisfaction of claims	11157	6564
Others	811808	526520
Total Assets	**71279296**	**63601117**

PUNJAB NATIONAL BANK

(All amounts in ₹ lac)

	As on March 31, 2016	As on March 31, 2015
Contingent Liabilities		
Claims against the Bank not acknowledged as debts	139173	20942
Liability on account of outstanding forward exchange contracts	25777402	19428507
Guarantees given on behalf of constituents	4622751	4408770
Acceptances, endorsements and other obligations	3137745	4107340
Other items for which the Bank is contingently liable	239734	330057
Bills for collection	2325566	1964062
The amount of Revaluation Reserve under Reserves & Surplı	284478	139207

T K BALAMUKUNDAN
ASST. GENERAL MANAGER

SUNIL KUMAR JAIN
ASSTT. GENERAL MANAGER

P K MOHAPATRA
GENERAL MANAGER

DR. RAM S SANGAPURE
EXECUTIVE DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

USHA ANANTHASUBRAMANIAN
MANAGING DIRECTOR & C.E.O

Dr. RABI N. MISHRA
DIRECTOR

DILIP KUMAR SAHA
DIRECTOR

GAUTAM PREMNATH KHANDELWAL
DIRECTOR

HIROO MIRCHANDANI
DIRECTOR

RAJINDER MOHAN SINGH
DIRECTOR

SUDHIR NAYAR
DIRECTOR

For Shah Gupta & Co.
Chartered Accountants
Firm Regn No. 109574W

(Haneel K. Patel- Partner)
M No. 114103

For Chhajed & Doshi
Chartered Accountants
Firm Regn No. 101794W

(Kiran K Daftary-Partner)
M No.010279

For R.Devendra Kumar & Associates
Chartered Accountants
Firm Regn No. 114207W

(Neeraj Golas- Partner)
M No. 074392

For Hem Sandeep & Co.
Chartered Accountants
Firm Regn No. 009907N

(Sandeep Jain- Partner)
M No. 087977

For Suri & Co.
Chartered Accountants
Firm Regn No. 004283S

(R. Mahesh- Partner)
M No. 024775

For SPMG & Co.
Chartered Accountants
Firm Regn No. 509249C

(Mandeep Singh Arora- Partner)
M No. 091243

Abridged Profit and Loss Account of Punjab National Bank for the year ended March 31, 2016

(All amounts in ₹ lac)

	For the year ended March 31, 2016	For the year ended March 31, 2015
Income		
Interest Earned		
On advances/bills	3728786	3671790
On Investments	1253980	1104510
On balances with RBI and other inter-bank funds	74050	60533
Others	23571	34149
Other Income		
Commission, Exchange and Brokerage	280288	275863
Net Profit on sale of Investments	71785	112279
Net Profit on sale of land, buildings and other assets	238	307
Net Profit on exchange transactions	45496	51472
Income by way of Dividends etc. from subsidiaries companies and / or joint ventures abroad/in India	0	0
Miscellaneous Income	299853	177539
Total Income	**5778047**	**5488442**
Expenditure		
Interest Expended		
On Deposits	3059818	2811508
On RBI/ Inter - bank borrowings	137201	139176
Others	236040	183621
Operating Expenses		
Payments to and Provisions for employees	656449	746912
Rent, Taxes and Lighting	65506	57575
Printing and Stationery	8897	8419
Advertisement and Publicity	7894	4876
Depreciation on Bank's property	41315	38399
Directors' fees, allowances and expenses	194	152
Auditors' fees and expenses (including branch auditors)	7138	5511
Law Charges	9632	6459
Postage, Telegrams, Telephones, etc.	15404	13232
Repairs and Maintenance	22275	19988
Insurance	51493	45443
Others	148791	133933

SHAH GUPTA & CO. MUMBAI 109574 W Chartered Accountants

CHHAJED & DOSHI MUMBAI 101794W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

SURI & CO. Chennai 004283 S Chartered Accountants

New Delhi 509249 C Chartered Accountants

PUNJAB NATIONAL BANK

(All amounts in ₹ lac)

	For the year ended March 31, 2016	For the year ended March 31, 2015
Provisions and contingencies		
Provisions for depreciation on Investment	34549	-58555
Provision towards non performing assets	1878073	799499
Provision towards standard assets	-128359	43716
Others (excluding income taxes)	52420	47352
Total expenses and provisions	6304730	5047216
Profit/(loss) before tax	-526683	441226
Current tax	152969	200659
Deferred tax	(313325)	(93575)
Profit/(loss) after tax	-366328	334141
Minority interest/share in earning in associates(net)	-2650	5818
Profit/Loss brought forward	84668	64770
Total	-284310	404729
Appropriations		
Transfer to Statutory Reserve	3532	79844
Transfer to Other Reserves	-409725	94096
Transfer to Government / proposed dividend	7491	80516
Balance carried forward to balance sheet	95490	81654
Others	18902	68619

T K BALAMUKUNDAN
ASST. GENERAL MANAGER

SUNIL KUMAR JAIN
ASST. GENERAL MANAGER

P K MOHAPATRA
GENERAL MANAGER

DR. RAM S SANGAPURE
EXECUTIVE DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

MANAGING DIRECTOR & C.E.O

Dr. RABI N. MISHRA
DIRECTOR

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Chartered Accountants
Firm Regn No. 509249C

(Mandeep Singh Arora- Partner)
M No. 091243

Date:18/05/2016
New Delhi

PUNJAB NATIONAL BANK

CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH' 2016

(Figures ₹ in Crore)

	Particulars		2015-16	2014-15
A.	**Cash Flow from/(used in) Operating Activities**			
(I)	**Net Profit after Tax**		(3,663.27)	3,341.41
	Add: Share of earning in Associates		153.19	184.02
	Net Profit before Minority Interest		**(3,510.08)**	**3,525.43**
	Add: Provision for Tax (Net of deferred tax)		(1,603.56)	1,070.84
	Proift before Taxes	(i)	**(5,113.64)**	**4,596.27**
(ii)	**Adjustment for :**			
	Depreciation on fixed assets		433.78	404.62
	Less : Amount drawn from Revaluation Reserve		(20.63)	(20.63)
	Provision for Non-performing assets		18,780.73	8,238.90
	Provision on Standard Assets		-1283.59	551.35
	Provision on Investments (net)		345.49	(585.55)
	Other Provisions (net)		594.19	156.70
	Dividend from Subsidiary / Others (Investing Activity)		(22.95)	-
	Interest on Bonds (Financing Activity)		1,646.81	1,224.27
	Profit / (Loss) on sale of Fixed Assets (net)		(2.38)	(3.07)
		(ii)	**20,471.45**	**9,966.59**
	Operating Profit before Changes in Operating Assets and Liabilities	(i+ii)	**15,357.81**	**14,562.86**
(iii)	**Adjustment for net change in Operating Assets and Liabilities**			
	Decrease / (Increase) in Investments		(8,094.93)	(6,625.86)
	Decrease / (Increase) in Advances		(60,249.70)	(46,779.75)
	Decrease / (Increase) in Other Assets		(3,466.64)	(2,036.01)
	Increase / (Decrease) in Deposits		55,137.21	54,041.90
	Increase / (Decrease) in Borrowings		16,051.23	(7,219.46)
	Increase / (Decrease) in Other Liabilities & Provisions		1,003.53	1,426.26
		(iii)	**380.70**	**(7,192.92)**
	Cash generated from Operations	(i+ii+iii)	15,738.51	7369.94
	Tax Paid (net of refund)		(1,571.51)	(2,556.34)
	Net Cash used in Operating Activities	(A)	**14,167.00**	**4,813.60**
B.	**Cash Flow from/(used in) Investing Activities**			
	Purchase of Fixed Assets (net of Sales)		(605.89)	(546.25)
	Dividend recd from Subsidiaries / JV / RRBs		22.95	-
	Investment (Disinvestment) in Subsidaries / JV / R		(768.57)	(325.55)
	Other Investments		-	-
	Net Cash used in investing Activities	(B)	**(1,351.51)**	**(871.80)**

SHAH GUPTA & CO. MUMBAI 109574 W Chartered Accountants

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SPMG & COMPANY New Delhi 509249 C Chartered Accountants

PUNJAB NATIONAL BANK

CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH' 2016

(Figures ₹ in Crore)

				2015-16		2014-15
C.	**Cash Flow from /(used in)Financing Activities**					
	Issue of share capital (incl Share Premium)			2,008.89		1,326.84
	Issue/(Redemption) of Bonds (Tier I & Tier II)			6,417.75		7,390.91
	Interest paid on Bonds(Tier I,II)			(1,646.81)		(1,224.27)
	Payments of Dividends (incl tax on Dividend)			(805.16)		(42.05)
	Net Cash used in Financing Activities	(C)		**5,974.67**		**7,451.43**
D	**Net Change in Cash and Cash Equivalents**	(A+B+C)		**18,790.16**		**11,393.23**
	Cash and Cash Equivalents at the beginning of the year					
	Cash and Balances with Reserve Bank of India		24,435.78		22406.14	
	Balances with Banks & Money at Call & Short Noti		33,823.44	**58,259.22**	24459.85	**46,865.99**
	Cash and Cash Equivalents at the end of the year					
	Cash and Balances with Reserve Bank of India		26,492.19		24,435.78	
	Balances with Banks & Money at Call & Short Noti		50,557.19	**77,049.38**	33,823.44	**58,259.22**
				18,790.16	0.00	**11,393.23**

Notes :-

1 Direct taxes paid (net of refund) are treated as arising from operating activities and are not bifurcated between investing and financing activities.

2 All figures in minus represents "Cash Out Flow"

T K BALAMUKUNDAN
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DIRECTOR

SUDHIR NAYAR
DIRECTOR

As per our Report of even date

For Shah Gupta & Co.
Chartered Accountants-FRN 109574W

(Heneel K. Patel- Partner)
M No. 114103,

For Chhajed & Doshi
Chartered Accountants-FRN 101794W

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(R. Mahesh- Partner)
M No. 024775

For SPMG & Co.
Chartered Accountants-FRN 509249C

(Mandeep Singh Arora- Partner)
M No. 091243

Date:18/05/2016
New Delhi

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF PUNJAB NATIONAL BANK GROUP

To

The Board of Directors of Punjab National Bank,

1. We have audited the attached Consolidated Balance Sheet of Punjab National Bank, its subsidiaries, associates and Joint Venture (collectively known as PNB Group) as at 31st March 2015, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information annexed thereto, in which the following are incorporated:

   i) Audited accounts of Punjab National Bank (The Bank), audited by us, vide our audit report dated May 08, 2015,

   ii) Audited accounts of 7 Subsidiaries and 1 associate, audited by other auditors and

   iii) Unaudited accounts of 7 Associates and 1 Joint Venture.

2. We did not audit the financial statements of subsidiaries viz. (i) PNB Gilts Limited (ii) PNB Housing Finance Limited (iii) Punjab National Bank (International) Limited (iv) PNB Investment Services Limited (v) Druk PNB Bank Ltd. (vi) PNB Principal Insurance Broking Pvt Ltd. and (vii) JSC SB PNB Kazakastan whose financial statements reflect total assets of Rs.37239.73 Crores as at 31st March 2015 and total revenues of Rs.2899.28 Crores for the year then ended. These financial statements and other financial information have been audited by their respective auditors whose reports have been furnished to us and our opinion is based solely on the reports of the said auditors.

3. a). The Financial Statements of 5 Regional Rural Banks, 2 Associates and 1 Joint Venture which have not been audited along with one audited associate contribute Rs.184.02 Crore to PNB group for the year ended 31.03.2015.

   b). Our opinion is based on the Un-audited financial statements of all Regional Rural Banks, 2 Associates stated in Footnote (2.2) to note No.2 to Notes to Accounts in Schedule 18 as well as one audited associate of PNB group.

   c). In the absence of full information regarding impact of difference in accounting policies followed by the parent, subsidiaries and associates (including RRBs), no adjustments, have been carried out. Regional Rural Banks (associates) have not followed Accounting Standard -15 (Revised), issued by the Institute of Chartered Accountants of India, for certain employees' benefits but have accounted for the same on adhoc/pay as you go basis. In like manner, unrealized profits/ losses resulting from transactions between the parent and its subsidiaries and the associates, if any, to the extent of the parent's interest in the subsidiaries and associates have not been eliminated. Thus, the effect on profit for the year and other consequential effects could not be ascertained.

4. Subject to our observations in paragraph 2 to 3 above, we report that the Consolidated Financial Statements have been prepared by the management of PNB Group in accordance with the requirements of Accounting Standard - 21 (Consolidated Financial Statements) and Accounting Standard – 23 (Accounting for Investments in Associates in Consolidated Financial Statements) issued by the Institute of Chartered Accountants of India and the requirements of the Reserve Bank of India.

K.N. GUTGUTIA & CO. KOLKATA 304153 E Chartered Accountants | CVK & ASSOCIATES MUMBAI 101745 W Chartered Accountants | RAMESH KAPOOR & CO. SRINAGAR 001477 N Chartered Accountants | CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants | R. DEVENDRA KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS | HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

Management's Responsibility for the Financial Statements:

5. These Consolidated Financial Statements are the responsibility of the Bank's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components, in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and to discuss the information as may be necessary to conform to Form 'A & B' respectively of the Third Schedule to the Banking Regulation Act, 1949. These financial statements comply with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

6. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by The Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

7. An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment including the assessment of the risks of material misstatement of the financial misstatements whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

9. Based on our audit and on consideration of reports of other auditors on separate financial statements and other financial information of the Subsidiaries, and Associates as referred in Para 2 above, and to the best of our information and according to the explanations given to us, we are of the opinion that:

a) The Consolidated Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the PNB Group as at 31st March, 2015 in conformity with accounting principles generally accepted in India;

K. N. GUTGUTIA & CO. KOLKATA 304153 E Chartered Accountants

CVK & ASSOCIATES MUMBAI 101745 W Chartered Accountants

RAMESH KAPOOR & CO. SRINAGAR 001477 N Chartered Accountants

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

b) The Consolidated Profit and Loss Account, read with the notes thereon shows a true balance of Profit in the PNB Group, in conformity with accounting principles generally accepted in India, for the year ended on that date; and

c) The Consolidated Cash Flow Statement gives a true and fair view of the cash flows of the PNB Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements:

10. The Balance Sheet and the Profit and Loss Account have been drawn up in Form 'A' and 'B' respectively of the Third Schedule to the Banking Regulation Act, 1949.

11. In our opinion, the Consolidated Balance Sheet, Profit and Loss Account and the Cash Flow Statement of the PNB Group comply with the applicable Accounting Standards.

For and on behalf of **K. N. Gutgutia & Co.** Chartered Accountants FRN 304153E **B R Goyal** Partner M No. 012172	For and on behalf of **CVK & Associates** Chartered Accountants FRN 101745W **A K Pradhan** Partner M No.032156	For and on behalf of **Ramesh Kapoor& Co.** Chartered Accountants FRN 001477N **Ramesh Kapoor** Partner M No. 080725
For and on behalf of **Chhajed & Doshi** Chartered Accountants FRN 101794W **M P Chhajed** Partner M No. 049357	For and on behalf of **R. Devendra Kumar & Associates** Chartered Accountants FRN 009907N **Neeraj Golas** Partner M No. 074392	For and on behalf of **Hem Sandeep& Co.** Chartered Accountants FRN 009907N **Manish Gupta** Partner M No. 092257

Date: 8th May 2015
Place: New Delhi

CONSOLIDATED BALANCE SHEET OF
PUNJAB NATIONAL BANK AS ON 31st MARCH' 2015

(₹ in Crore)

CAPITAL & LIABILITIES	Schedule	As on 31.03.2015	As on 31.03.2014
Capital	1	370.91	362.07
Reserves & Surplus	2	41668.53	37731.15
Minority Interest	2A	548.95	423.11
Deposits	3	515245.43	461203.53
Borrowings	4	59204.76	59033.31
Other Liabilities and Provisions	5	18972.59	16067.31
	TOTAL	636011.17	574820.48
ASSETS			
Cash and Balances with Reserve Bank of India	6	24435.78	22406.14
Balances with Banks & Money at call & short notice	7	33823.44	24459.85
Investments	8	156761.66	149224.70
Loans & Advances	9	404614.06	366073.21
Fixed Assets	10	3655.77	3490.44
Other Assets	11	12720.46	9166.14
	TOTAL	636011.17	574820.48
Contingent Liabilities		282956.16	221673.88
Bills for Collection		19640.62	20325.97

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ASST. GENERAL MANAGER

J K GUPTA
GENERAL MANAGER

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PREM NARAIN
DIRECTOR

As per our Report of even date

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M No. 074392 , FRN 114207W

For Hem Sandeep & Co.
Chartered Accountants
(Manish Gupta - Partner)
M No. 092257 , FRN 009907N

Date : 08/05/2015
Place: New Delhi

	Schedule	As on 31.03.2015	As on 31.03.2014
I. INCOME			
Interest earned	13	48709.82	44958.09
Other Income	14	6174.60	4710.34
	TOTAL	**54884.42**	**49668.43**
II. EXPENDITURE			
Interest expended	15	31343.05	28220.27
Operating expenses	16	10808.99	9581.49
Provisions and Contingencies		9390.96	8332.06
	TOTAL	**51543.00**	**46133.82**
Consolidated Net Profit for the year of the parent & subsidiaries before Minority Interest		3341.41	3534.61
Less : Minority Interest		125.84	56.83
Consolidated Net Profit for the year of the parent & subsidiaries after Minority Interest		3215.57	3477.78
Share of earnings in Associates (net)	17	184.02	139.29
Consolidated Net Profit for the year attributable to the group		3399.59	3617.07
Add : Brought forward consolidated profit attributable to the group		647.70	542.67
Add: Transferred from Capital Reserve		0.00	0.00
Profit available for Appropriation		**4047.29**	**4159.74**
APPROPRIATIONS			
Transfer to Reserves (Net) :			
Statutory Reserve		798.44	871.66
Capital Reserve - Others		96.12	58.42
Investment Fluctuation Reserve		282.77	0.00
Other Reserve		940.96	1878.56
Special Reserve		306.24	240.36
Dividend Including Dividend Tax			
Proposed Dividend for 2014-15		805.16	42.05
Interim Dividend		0.00	420.73
Corporate Social Responsibility		4.04	0.00
Balance transfer from provision for tax on Dividend		-2.98	
Balance carried over to consolidated Balance Sheet		816.54	647.96
		4047.29	**4159.74**
Earnings per Share (In Rs.) Non-Annualised		**18.78**	**20.32**

Accounting Policy & Notes on Accounts

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As per our Report of even date

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For CVK & Associates
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(A K Pradhan - Partner)
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(Ramesh Kapoor - Partner)
M No. 080725, FRN 001477N

For Chhajed & Doshi
Chartered Accountants
(M P Chhajed- Partner)
M No. 049357, FRN 101794W

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(Neeraj Golas- Partner)
M No. 074392 , FRN 114207W

For Hem Sandeep & Co.
Chartered Accountants
(Manish Gupta - Partner)
M No. 092257 , FRN 009907N

Date : 08/05/2015
Place: New Delhi

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CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants
F-167
HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

SCHEDULE 1 - CAPITAL

(₹ in Crore)

		'As on 31.03.2015		'As on 31.03.2014
Authorised Capital (1500,00,00,000 Equity shares of ₹ 2 each)		3000.00		3000.00
Issued & Subscribed (1,85,45,56,947 (Previous year 1,81,03,49,630 Equity Shares of ₹ 2 each		370.91		362.07
Paid up (1,85,45,56,947 (Previous year 1,81,03,49,630 Equity Shares of ₹ 2 each) (Includes equity shares of 1,11,00,47,912 ₹ 2 each held by Central Government)		370.91		362.07
TOTAL		370.91		362.07

SCHEDULE 2 - RESERVES & SURPLUS

I. Statutory Reserve				
Opening Balance	9114.49		8242.83	
Addition during the year	798.44		871.66	
Add/(Less) : Adjustment during the year	0.00		0.00	
		9912.93		9114.49
II. Capital Reserve				
a). Revaluation Reserve				
Opening Balance	1413.00		1434.60	
Addition during the year	0.00		0.00	
Deduction during the year	21.04		21.60	
Add/(Less) : Adjustment during the year (being Depreciation on revalued portion of Property)	0.11		0.00	
		1392.07		1413.00
b. Others				
Opening Balance	1234.84		1176.42	
Addition during the year	96.13		58.42	
		1330.97		1234.84
IIA. Capital Reserve on consolidation (Net)		66.53		66.53
III. Revenue and Other Reserve				
a. Investment Fluctuation Reserve				
Opening Balance	170.11		170.11	
Addition during the year	282.77		0.00	
Less: Trf to P & L Account	0.00		0.00	
		452.88		170.11

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b. Other Reserve				
Opening Balance	17378.86		15728.82	
Addition during the year	969.77		1878.40	
Less: Transferred to Special Reserve	0.00		0.00	
Less: Adjustment related to Prior years	0.00		228.36	
Less: Transistory Liability (AS-15)	0.00		0.00	
Less: Payment for Interblocked accounts	0.00		0.00	
Add/(Less) : Adjustment during the year	-41.78		0.00	
		18306.85		**17378.86**
c. Exchange Fluctuation Reserve				
Opening Balance	232.46		155.74	
Add: Addition during the year (Net)	8.09		76.72	
Add/(Less) : Adjustment during the year	52.21		0.00	
		292.76		**232.46**
IV. Share Premium				
Opening Balance	6411.51		5776.81	
Addition during the year	1319.00		634.70	
Add/(Less) : Adjustment during the year	-1.01		0.00	
		7729.51		**6411.51**
V. Special Reserve				
Opening Balance	1061.39		821.03	
Addition during the year	31.10		240.36	
Transfer from other reserve	275.00		0.00	
Add/(Less) : Adjustment during the year	0.00		0.00	
		1367.49		**1061.39**
VI. Foreign Currency Translation Reserve				
Opening Balance	0.00		0.00	
Addition during the year	0.00		0.00	
Deduction during the year	0.00		0.00	
		0.00		**0.00**
VII. Balance in Profit & Loss Account		**816.54**		**647.96**
Total I,II,,III,IV,V,VI, VII		**41668.53**		**37731.15**

Schedule 2A - Minority Interest	'As on 31.03.2015	'(₹ in Crore) 'As on 31.03.2014
Minority interest at the date on which the parent subsidiary relationship came into existence	149.25	149.25
Subsequent increase	399.70	273.86
Minority interest at the date of balance sheet	**548.95**	**423.11**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 3 - DEPOSITS

		As on 31.03.2015		As on 31.03.2014
A. I DEMAND DEPOSITS				
(i) From Banks	3194.94		2836.05	
(ii) From Others	31349.04		29536.95	
		34543.98		32373.00
II SAVINGS BANK DEPDSITS		151081.77		141875.64
III TERM DEPOSITS				
(i) From Banks	42958.19		15765.98	
(ii) From Others	286661.49		271188.91	
		329619.68		286954.89
TOTAL of I, II, III		515245.43		461203.53
B. (i) Deposits of branches in India		457362.18		419615.46
(ii) Deposits of branches outside India		57883.25		41588.07
TOTAL of i, ii		515245.43		461203.53

SCHEDULE 4 - BORROWINGS

	As on 31.03.2015	As on 31.03.2014
I. Borrowings in India		
(i) Reserve Bank of India	1271.00	15279.51
(ii) Other Banks	8960.33	4708.79
(iii) Other Institutions and Agencies	4891.53	2932.66
(iv) Bonds (including Tier-I, Tier-II, Subordinated Debts	19712.69	15121.78
(v) Long Term Infrastructure Bonds	2800.00	
II. Borrowings Outside India	21569.21	20990.57
TOTAL of I, II	59204.76	59033.31
Secured Borrowings included in I & II above	9754.15	9658.00

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

	As on 31.03.2015	As on 31.03.2014
I. Bills payable	2398.83	2512.86
II. Inter-office adjustments (net)	17.23	27.26
III. Interest accrued	1556.19	1507.06
IV. Others (including Provisions)	15000.34	12020.13
TOTAL OF I, II, III, IV	18972.59	16067.31

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

		'As on 31.03.2015		'As on 31.03.2014
I. Cash in hand (including Foreign Currency Notes)		2290.82		2144.89
II. Balance with Reserve Bank of India				
(i) in Current account	22144.96		20233.58	
(ii) in Other Accounts	0.00		27.67	
		22144.96		20261.25
TOTAL Of I, II		**24435.78**		**22406.14**

SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

I. In India				
(i) Balance with Banks:				
(a) In Current accounts	936.56		759.99	
(b) In Other Deposit accounts	7098.88		4788.43	
		8035.44		5548.42
(ii) Money at Call and Short Notice:				
(a) with Banks	0.00		6.99	
(b) with Other Institutions	0.00		-0.02	
		0.00		6.97
TOTAL (i & ii)		8035.44		5555.39
II. Outside India				
(i) In Current accounts	2417.49		1995.52	
(ii) In Other Deposit accounts	23286.06		16569.31	
(iii) Money at Call & Short Notice	84.45		339.63	
TOTAL		25788.00		18904.46
GRAND TOTAL (I & II)		**33823.44**		**24459.85**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 8 - INVESTMENTS	As on 31.03.2015	As on 31.03.2014
I. Investments in India in		
(i) Government Securities	127578.85	115480.00
(ii) Other approved securities	187.84	300.21
(iii)Shares	3604.36	2755.26
(iv) Debentures and Bonds	16539.81	19324.43
(v) Investment in Associates (on equity method)	1271.20	782.86
(vi) Others (Initial Capital in UTI and its units- 64 ; (Various Mutual Funds & Commercial Paper etc.)	5692.48	8704.82
TOTAL of I	**154874.54**	**147347.58**
II. Investments outside India		
(i) Government Securities	601.38	782.68
(ii) Investment in Associates (on equity method)	470.23	449.00
(iii) Other investments	815.51	645.44
TOTAL of II	**1887.12**	**1877.12**
III. Investments in India		
I) Gross value of Investments	155487.80	148547.43
ii) Less: Aggregate of Provisions for Depreciation	611.81	1199.85
iii) Net Investment	**154875.99**	**147347.58**
IV. Investments outside India		
I) Gross value of Investments	1885.67	1877.13
ii) Less: Aggregate of Provisions for Depreciation	0.00	0.01
iii) Net Investments	**1885.67**	**1877.12**
GRAND TOTAL of (I), (II)	**156761.66**	**149224.70**

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SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 9 - ADVANCES	'As on 31.03.2015	'As on 31.03.2014
A. i) Bills Purchased and discounted	29615.86	22325.83
ii) Cash Credits, overdrafts and loans repayable on demand	198141.37	179713.88
iii) Term Loans	176856.83	164033.50
Total	**404614.06**	**366073.21**
B. i) Secured by Tangible Assets (including advances against book debts)	359350.06	323618.14
ii) Covered by Bank/Govt.Guarantees	22453.11	20381.00
iii) Unsecured	22810.89	22074.07
Total	**404614.06**	**366073.21**
C. (I) Advances in India		
i) Priority Sector	142418.19	120544.79
ii) Public Sector	19342.83	24871.71
iii) Banks	2068.98	1683.52
iv) Others	181910.48	172387.15
Total	**345740.48**	**319487.17**
C. (II). Advances outside India		
i) Due from banks	39770.75	29473.88
ii) Due from others		
(a) Bills purchased & discounted	445.61	413.39
(b) Term Loans	5289.23	4832.33
(c) Others	13367.99	11866.44
Total	**58873.58**	**46586.04**
GRAND TOTAL of C (I) & C (II)	**404614.06**	**366073.21**

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SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 10 - FIXED ASSETS		As on 31.03.2015		As on 31.03.2014
I. Premises (including Land)				
-At cost as on 1st April of the year	2825.29		2773.45	
-Additions during the year	66.27		54.48	
Less :Deductions during the year	0.00		0.00	
-Revaluation	0.65		-2.63	
Less :Depreciation to date	409.89		378.33	
		2482.32		2446.97
II. Other Fixed Assets (including furniture & fixtures)				
-At cost as on 1st April of the year	3207.88		2944.67	
- Revaluation due to exchange rate fluctuation	0.24		0.00	
-Additions during the year	446.03		346.14	
Less: Deductions during the year	64.33		82.94	
Less:Depreciation to date	2543.47		2262.04	
		1046.35		945.83
III. Computer Software				
-At cost as on 1st April of the year	306.37		254.45	
-Revaluation due to exchange rate fluctuation	0.14		0.00	
- Additions during the year	39.25		53.22	
- Deductions during the year	4.20		1.30	
Less: Amortised to date	249.46		219.95	
		92.10		86.42
IV. Leased Assets				
-At cost as on 1st April of the year	38.58		25.66	
-Additions during the year	25.13		12.89	
-Deductions during the year	0.00		0.00	
Less:Depreciation to date	28.71		27.35	
		35.00		11.22
TOTAL OF I, II, III, IV		3655.77		3490.44

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SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 11 - OTHER ASSETS	'As on 31.03.2015	'As on 31.03.2014
I. Interest accrued	4322.08	4298.94
II. Tax paid in advance/tax deducted at source (net of provisions)	1588.16	1009.82
III. Stationery and Stamps	9.70	9.11
IV. Non Banking assets acquired in satisfaction of claims	65.64	54.35
V. Deferred Tax asset (net)	1479.38	572.22
VI. Others	5255.50	3221.70
TOTAL of I, II, III, IV, V, VI	**12720.46**	**9166.14**

SCHEDULE 12 - CONTINGENT LIABILITIES		
I.(i) Claims against the Bank(Group) not acknowledged as debts	209.42	178.69
I (ii). Disputed income tax and interest tax demands under appeal, references, etc.	1056.21	800.68
II. Liability for partly paid investments	153.01	0.01
III. Liability on account of outstanding forward exchange contracts	194285.07	135741.59
IV. Guarantees given on behalf of constituents		
(a) In India	29020.58	28203.40
(b) Outside India	15067.12	11888.25
V. Acceptance, Endorsements and Other obligations	41073.40	43798.44
VI. Other items for which the Bank (Group) is contingently liable	2091.35	1062.82
TOTAL of I, II, III, IV, V, VI	**282956.16**	**221673.88**

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SCHEDULES TO THE CONSOLIDATED ACCOUNTS (PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 13 - INTEREST AND DIVIDENDS EARNED

	As on 31.03.2015	As on 31.03.2014
I. Interest/discount on Advances/Bills	36717.90	33709.68
II. Income on Investments	11045.10	10647.21
III. Intt on balances with Reserve Bank of India & other inter-bank funds	605.33	369.80
IV. Others	341.49	231.40
TOTAL of I, II, III, IV	**48709.82**	**44958.09**

SCHEDULE 14 - OTHER INCOME

		As on 31.03.2015		As on 31.03.2014
I. Commission, Exchange & Brokerage		**2758.63**		**2608.68**
II. Profit on sale of land, buildings and other assets	3.65		5.49	
Less:Loss on sale of land, buildings and other assets	0.58	3.07	0.67	**4.82**
III. Dividend Income from Mutual Fund		**353.96**		**217.35**
IV. Profit on Exchange Transaction	1429.29		1414.32	
Less:Loss on Exchange Transaction	914.57	**514.72**	853.05	**561.27**
V. Profit on sale of Investments	1351.70		885.49	
Less:Loss on sale of investments	228.91	1122.79	321.24	**564.25**
VI. Miscellaneous Income		**1421.43**		**753.97**
TOTAL of I, II, III, IV, V, VI		**6174.60**		**4710.34**

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SCHEDULES TO THE CONSOLIDATED ACCOUNTS(PUNJAB NATIONAL BANK)

(₹ in Crore)

SCHEDULE 15 - INTEREST EXPENDED		'As on 31.03.2015		'As on 31.03.2014
I. Interest on Deposits		28115.08		25565.97
II. Interest on Reserve Bank of India/ inter-bank borrowings		1391.76		1355.60
III. Others		1836.21		1298.70
TOTAL of I, II, III		**31343.05**		**28220.27**

SCHEDULE 16 - OPERATING EXPENSES				
I. Payment to and provisions for employees		7469.12		6616.39
II. Rent, Taxes and Lighting		575.75		504.99
III. Printing & Stationery		84.19		76.95
IV. Advertisement & Publicity		48.76		35.87
V. Depreciation on bank's property	404.62		387.30	
Less: Adjusted with Revaluation Reserve	20.63		20.68	
		383.99		366.62
VI. Directors' Fees, allowances and expenses		1.52		1.74
VII. Auditors' fees and expenses (including statutory auditor of subsidiaries, branch auditors' fees & expenses)		55.11		46.02
VIII. Law charges		64.59		52.46
IX. Postage,Telegrams,Telephones, etc.		132.32		134.26
X. Repairs & Maintenance		199.88		154.55
XI. Insurance		454.43		411.10
XII. Other expenditure		1339.33		1178.53
TOTAL of I to XII		**10808.99**		**9581.49**

SCHEDULE 17 - SHARE OF EARNINGS/LOSS IN ASSOCIATES				
(a) Share of Earnings in Associates in India		162.76		121.58
(b) Share of Earnings in Associates outside India		21.26		17.71
TOTAL of (a & b)		**184.02**		**139.29**

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PUNJAB NATIONAL BANK

SCHEDULE 18 (Consolidated – 31.03.2015)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. BASIS OF PREPARATION:

The financial statements have been prepared on historical cost basis and conform, in all material aspects, to Generally Accepted Accounting Principles (GAAP) in India encompassing applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), Accounting Standards (AS) and pronouncements issued by The Institute of Chartered Accountants of India (ICAI) and prevailing practices in Banking industry in India.

Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

2. CONSOLIDATION PROCEDURES:

2.1 Consolidated financial statements of the Group **(comprising of 7 Subsidiaries, 8 Associates and 1 Joint Venture)** have been prepared on the basis of:

a) Audited financial statements of Punjab National Bank (Parent/the Bank),

b) Line by line aggregation of like items of assets, liabilities, income and expenses of subsidiaries with the respective item of the Parent after eliminating material intra-group balances/transactions, unrealized profit/losses and making necessary adjustments, wherever required, to conform to uniform accounting policies, based on data received from these subsidiaries duly audited by their respective auditors. The financial statements of the subsidiaries are drawn up to the same reporting date as that of Parent i.e.31st March 2015.

c) Foreign currency translation of overseas subsidiaries have been done as under:

(i) Income and Expenditure – at weighted average rates prevailing during the year
(ii) Assets and Liabilities - at the year-end rates

The resultant foreign currency translation difference, whether gain or loss, has been included under Reserves and Surplus - Foreign Currency Translation Reserve.

d) Investments in associates, where the group holds 20% or more of the voting power, have been accounted for using the equity method in terms of Accounting Standard – 23 issued by The Institute of Chartered Accountants of India.

e) In the absence of full information regarding impact of differences in accounting policies followed by the Parent, subsidiaries and associates, no adjustments have been carried out. In like manner, unrealized profits and losses resulting from transactions between the Parent , the subsidiaries and associates, if any, to the extent of the Parent's interest in the subsidiaries and associates have not been eliminated .Financial statements received from these subsidiaries and associates form the sole basis for their incorporation in these Consolidated Financial Statements.

2.2 The difference between cost to the Group of its investment in the subsidiaries and the group's portion of the equity of the subsidiaries is recognized as Goodwill/Capital Reserve.

2.3 Minority interest in the net assets of consolidated subsidiaries consist of:

a) The amount of equity attributable to the minority at the date on which investments in a subsidiary is made; and
b) The minority share of movements in equity since date of parent-subsidiary relationship came into existence.

SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE PARENT.

3. METHOD OF ACCOUNTING:

The financial statements have been prepared on going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated.

4. FIXED ASSETS

4.1 Fixed assets are stated at historical cost except those premises, which have been revalued. The appreciation on revaluation is credited to revaluation reserve and incremental depreciation attributable to the revalued amount is deducted therefrom.

4.2 a. Depreciation on assets (including land where value is not separable) is provided on straight-line method based on estimated life of the asset.

b. Depreciation on assets has been provided at the rates furnished below:-

Particulars	Rate of Depreciation
Land acquired on perpetual lease where no lease period is mentioned	Nil
Land acquired on lease where lease period is mentioned	Over lease period
Building	
• Constructed on free hold land and on leased land, where lease period is above 40 years	2.50%
• Constructed on leased land where lease period is below 40 years.	Over lease period
Built-up Assets taken over from erstwhile New Bank of India & Nedungadi Bank Ltd	4.00%
Furniture and fixtures- Steel articles	5.00%
Furniture and fixtures-wooden articles	10.00%
Mattresses	20.00%
Mobile Phone Instruments	33.33%
Machinery, electrical and miscellaneous articles	15.00%
Motor cars and cycles	15.00%
Computers, ATMs and related items, **laptop, i pad**	33.33%
Computer Application Software – Intangible Assets	
- Up to Rs. 5,000	Charged to Revenue
- Others	20.00%

c. Depreciation on fresh additions to assets other than bank's own premises is provided from the month in which the assets are put to use and in the case of assets sold/disposed off during the year, up to the month preceding the month in which it is sold/ disposed off.

The depreciation on bank's own premises existing at the close of the year is charged for full year. The construction cost is depreciated only when the building is complete in all respects.

5. ADVANCES

5.1 Advances are classified as performing and non-performing assets; provisions are made in accordance with prudential norms prescribed by RBI.

5.2 Advances are stated net of provisions in respect of non-performing assets.

5.3 Offices outside India / Offshore Banking Units:

a Advances are classified under categories in line with those of Indian offices.

b Provisions in respect of advances are made as per the local law requirements or as per the norms of RBI, whichever is higher.

5.4. Financial Assets sold are recognized as under:

(a) *For Sale of financial assets sold to SCs/RCs*

(i) If the sale to SCs/RCs is **at a price below the Net Book Value (NBV), the short fall should be debited to the Profit & Loss account of that year**. Bank can also use countercyclical / floating provisions for meeting the shortfall on sale of NPAs i.e when the sale is at a price below the NBV. However, for assets sold on or after 26.02.2014 and upto 31.03.2015, as incentive for early sale of NPAs, bank can spread over any shortfall, if the sale value is lower than the NBV, over a period of two years. This facility of spreading over the shortfall will be subject to necessary disclosures in the Notes to Accounts in Annual Financial Statements of the Bank.

(ii) **For assets sold after 26.02.2014 and before 26.02.2014 also, if the sale is for a value higher than the NBV, Bank can reverse the excess provision on sale of NPAs to its profit and loss account in the year, the amounts are received**. However, Bank can reverse excess provision (**when the sale is for a value higher than the NBV**) arising out of sale of NPAs, **only when the cash received (by way of initial consideration and/or redemption of SRs/PTCs) is higher than the NBV of the asset.** Further, reversal of excess provision will be limited to the extent to which cash received exceeds the NBV of the asset.

(b) *For Sale of financial assets sold to Other Banks/NBFCs/FIs etc.*

(i) In case the sale is at a price below the Net Book Value (NBV) i.e. Book Value less provision held, the shortfall should be debited to the Profit & Loss A/c of that year.

(ii) In case the sale is for a value higher than the Net Book Value (NBV) i.e. Book Value less provision held, the excess provision shall not be reversed but will be utilized to meet the shortfall/loss on account of sale of other NPAs.

5.5 For restructured/rescheduled advances, provisions are made in accordance with guidelines issued by RBI.

6. INVESTMENTS

6.1 Investments are classified into six categories as stipulated in form A of the third schedule to the Banking Regulation Act, 1949.

6.2 Investments have been categorized into "Held to Maturity", "Available for Sale" and "Held for Trading" in terms of RBI guidelines. Securities acquired by the Bank with an intention to hold till maturity are classified under "Held to Maturity".

6.3 The securities acquired by the Bank with an intention to trade by taking advantages of short-term price/ interest rate movements are classified under "Held for Trading".

6.4 The securities, which do not fall within the above two categories, are classified under "Available for Sale".

6.5 Transfer of securities from one category to another is carried out at the lower of acquisition cost/ book value/ market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for.

6.6 In determining acquisition cost of an investment

a. Brokerage / commission received on subscription is deducted from the cost of securities.

b. Brokerage, commission etc. paid in connection with acquisition of securities are treated as revenue expenses.

c. Interest accrued up to the date of acquisition of securities i.e. broken – period interest is excluded from the acquisition cost and the same is accounted in interest accrued but not due account.

6.7 Investments are valued as per RBI/ FIMMDA guidelines, on the following basis:

Held to Maturity

i) Investments under "Held to Maturity "category are carried at acquisition cost. Wherever the book value is higher than the face value/redemption value, the premium is amortized over the remaining period to maturity.

ii) Investments in subsidiaries/joint ventures/associates are valued at carrying cost less diminution, other than temporary, in nature.

iii) Investments in sponsored regional rural banks are valued at carrying cost.

iv) Investment in venture capital is valued at carrying cost.

Available for Sale and Held for Trading

a)	**Govt. Securities** I. Central Govt. Securities II. State Govt. Securities	At market prices/YTM as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA) On appropriate yield to maturity basis as per FIMMDA/RBI guidelines.
b)	Securities guaranteed by Central / State Government, PSU Bonds (not in the nature of advances)	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines
c)	Treasury Bills	At carrying cost
d)	Equity shares	At market price, if quoted, otherwise at break up value of the Shares as per latest Balance Sheet (not more than one year old), otherwise at Re.1 per company
e)	Preference shares	At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per RBI/FIMMDA guidelines.
f)	Bonds and debentures (not in the nature of advances)	At market price, if quoted, or on appropriate yield to maturity basis as per RBI/FIMMDA guidelines.
g)	Units of mutual funds	As per stock exchange quotation, if quoted; at repurchase price/NAV, if unquoted
h)	Commercial Paper	At carrying cost
i)	Certificate of Deposits	At carrying cost.
j)	Security receipts of ARCIL	At net asset value of the asset as declared by ARCIL
k)	Venture Capital Funds	At net asset value (NAV) declared by the VCF
l)	Other Investments	At carrying cost less diminution in value

The above valuation in category of Available for Sale and Held for Trading is done scrip wise and depreciation/appreciation is aggregated for each classification. Net depreciation for each classification, if any, is provided for while net appreciation is ignored.

6.8 Investments are subject to appropriate provisioning/ de-recognition of income, in line with the prudential norms of Reserve Bank of India for NPI classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities.

6.9 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of investments in "Held to Maturity" category, an equivalent amount is appropriated to "Capital Reserve Account".

6.10 Securities repurchased/resold under buy back arrangement are accounted for at original cost.

6.11 The derivatives transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market. As per RBI guidelines, different categories of swaps are valued as under: -

Hedge Swaps

Interest rate swaps which hedge interest bearing asset or liability are accounted for on accrual basis except the swaps designated with an asset or liability that are carried at market value or lower of cost in the financial statement.

Gain or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset/ liabilities.

Trading Swaps

Trading swap transactions are marked to market with changes recorded in the financial statements.

6.12 **Foreign currency options**

Foreign currency options written by the bank with a back-to-back contract with another bank are not marked to market since there is no market risk.

Premium received is held as a liability and transferred to the Profit and Loss Account on maturity/cancellation.

7. **TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS & BALANCES:**

a) Except advances of erstwhile London branches which are accounted for at the exchange rate prevailing on the date of parking in India, all other monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are translated in Indian Rupee equivalent at the exchange rates prevailing as on the Balance Sheet date as per Foreign Exchange Dealers' Association of India (FEDAI) guidelines.

b) Non-monetary items other than fixed assets are translated at exchange rate prevailing on the date of transaction.

c) Forward exchange contracts are translated as on the Balance Sheet date at the rates notified by FEDAI and the resultant gain/loss on translation is taken to Profit & Loss Account.

d) Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

e) Offices outside India / Offshore Banking Units:

(i) Operations of foreign branches and off shore banking unit are classified as "Non-integral foreign operations" and operations of representative offices abroad are classified as "integral foreign operations".

(ii) Foreign currency transactions of integral foreign operations and non-integral foreign operations are accounted for as prescribed by AS-11.

(iii) Exchange Fluctuation on Profit / loss of non-integral operations is credited /debited to exchange fluctuation reserve.

8. TAXES ON INCOME

Current tax is determined on the amount of tax payable in respect of taxable income for the year and accordingly provision for tax is made.

The deferred tax charge or credit is recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. In terms of Accounting Standard 22 issued by ICAI, provision for deferred tax liability is made on the basis of review at each Balance Sheet date and deferred tax assets are recognized only if there is virtual certainty of realization of such assets in future. Deferred tax assets/ liabilities are reviewed at each Balance Sheet date based on developments during the year.

9. EMPLOYMENT BENEFITS

- **PROVIDENT FUND**

  Provident fund is a defined contribution scheme as the Bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contributions are charged to Profit & Loss A/c.

- **GRATUITY:**

  Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

- **PENSION:**

  Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

- **COMPENSATED ABSENCES:**

  Accumulating compensated absences such as Privilege Leave (PL) and Sick Leave (including un-availed casual leave) are provided for based on actuarial valuation.

- **OTHER EMPLOYEE BENEFITS:**

  Other Employee Benefits such as Leave Fare Concession (LFC), Silver Jubilee Award, Medical Benefits etc. are provided for based on actuarial valuation.

  In respect of overseas branches and offices, the benefits in respect of employees other than those on deputation are accounted for as per laws prevailing in the respective countries.

10. IMPAIRMENT OF ASSETS

Impairment loss, if any, is recognised in accordance with the accounting standard issued in this regard by ICAI and impairment loss on any revalued asset is treated as a revaluation decrease.

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CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

11. REVENUE RECOGNITION

11.1 Income / expenditure (other than items referred to in paragraph 11.4) is generally accounted for on accrual basis.

11.2 Income on non-performing assets is recognized on realisation as per RBI guidelines.

11.3 Recoveries in NPA accounts (irrespective of the mode / status / stage of recovery actions) are appropriated in the following order of priority:-

a) Expenditure/out of pocket expenses incurred for recovery (earlier recorded in memorandum dues);

b) Principal irregularities i.e. NPA outstanding in the account.

c) Towards the interest irregularities/accrued interest.

11.4 Commission (excluding on Government Business), interest on overdue bills, exchange, locker rent, income from merchant banking transactions and dividend income are accounted for on realization and insurance claims are accounted for on settlement.

11.5 Income from interest on refund of income tax is accounted for in the year the order is passed by the concerned authority.

12. OTHERS

12.1 Interest on unpaid and unclaimed matured term deposits is accounted for at savings bank rate.

NOTES TO ACCOUNTS

1. The subsidiaries considered in the preparation of the consolidated financial statements are as under:

(in %)

Name of the Subsidiary Company	Country of incorporation	% Voting power held as at 31st March, 2015	% Voting power held as at 31st March, 2014
1. PNB Gilts Limited*	India	74.07	74.07
2. PNB Housing Finance Limited	India	51.00	72.54
3. Punjab National Bank (International) Ltd.	United Kingdom	100.00	100.00
4. PNB Investment Services Ltd.	India	100.00	100.00
5. Druk PNB Bank Ltd.	Bhutan	51.00	51.00
6. PNB Insurance Broking Pvt Ltd#	India	81.00	81.00
7. JSC SB PNB Kazakhstan	Kazakhastan	84.375	84.375

* The financial statements of these companies are subject to Supplementary Audit by the Comptroller & Auditor General of India, under the Companies Act, 2013 and receipt of their report.

#Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

2. **Associates / Joint Venture considered in consolidated financial statements are as under:**

(in %)

Name of the Associate Company	Country of incorporation	Proportion of ownership percentage as at	
		31st March, 2015	31st March, 2014
1. Madhya Bihar Gramin Bank, Patna.	India	35	35
2. Sarva Haryana Gramin Bank,Rohtak	India	35	35
3. Himachal Pradesh Gramin Bank, Mandi.	India	35	35
4. Punjab Gramin Bank, Kapurthala.	India	35	35
5. Sarva UP Gramin Bank, Meerut.	India	35	35
6. Assets Care & Reconstruction Enterprise Ltd.*	India	15.30*	30
7. Everest Bank Ltd. (**Joint Venture)**	Nepal	20	20
8. Principal PNB Asset Management Co. Pvt. Ltd.	India	21.38	30
9. Principal Trustee Co. Pvt. Ltd.	India	30	30
10. PNB Metlife India Insurance Company Ltd	India	30	30

* **Note:** Assets Care & Reconstructions Enterprise Ltd has ceased to be an Associate of the Bank w.e.f. 09.09.2014, since the share holding of Punjab National Bank has reduced to 15.30% from 30%.

Footnote: 2.1 Everest Bank Ltd. follows accounting year different from that of the Parent.

2.2 The bank's share in the following Associates / **Joint Venture** have been considered in the accounts on the basis of un-audited financial statements received for the year 2014-15.

a) Principal Trustee Co. Pvt. Ltd.
b) Principal PNB Asset Management Co. Pvt. Ltd.
c) Everest Bank Ltd. Nepal (**Joint Venture)**

2.3The break-up of Capital Reserve/Goodwill is as follows: -

(₹. in Crore)

Particulars	As on 31.03.2015	As on 31.03.2014
Goodwill	NIL	NIL
Capital Reserves	141.07	141.07
Goodwill (Net)	NIL	NIL
Capital Reserve on Consolidation	102.52	102.52

2.4 Perpetual bonds/subordinated debt raised as Tier I and Tier II Capital:

(₹. in Crore)

Particulars	As on 31.03.2015	As on 31.03.2014
Amount of subordinated debt raised as Lower Tier-II Capital during the year	2077.50	1529.96
Amount of subordinated debt raised as Upper Tier-II Capital during the year	200.00	NIL
Amount of perpetual bonds raised as Tier-I Capital during the year	1500	NIL

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3. **The capital adequacy ratio (Basel II and Basel III) of the bank group is as under:**

	Basel II	
Particulars	**(31.03.2015)**	**(31.03.2014)**
CRAR%	13.64%	12.69%
CRAR – Tier I capital (%)	9.90%	9.50%
CRAR – Tier II capital (%)	3.74%	3.19%

	Basel III	
Particulars	**(31.03.2015)**	**(31.03.2014)**
Common equity Tier 1 Capital ratio (%) (Basel- III)	9.14	9.00
Tier 1 Capital ratio (%) (Basel- III)	9.67	9.32
Tier 2 Capital ratio (%) (Basel- III)	3.23	2.79
Total Capital ratio (CRAR) (%) (Basel- III)	12.89	12.11

4. **Disclosures required by Accounting Standards**

4.1 AS 5 - Prior Period and Change in Accounting Policy

There were no material prior period income/expenditure items requiring disclosure under AS-5 issued by The Institute of Chartered Accountants of India.

4.2 AS 6 - Depreciation accounting

-Break up of total depreciation for the year for each class of assets

(₹. in Crore)

Particulars (Class of Assets)	Year ended 31.03.2015	Year ended 31.03.2014
Premises	30.98	12.37
Other fixed assets	276.15	320.19
Leased assets	2.7	1.77
Computer software	30.75	32.29
Total	**340.58**	**366.62**

4.3 AS 9 - Revenue Recognition

The income which has been accounted for on realization basis are not considered to be material.

4.4 AS 11- Changes in foreign exchange rates:

Movement of Exchange Fluctuation Reserve

Particulars	**Amount (₹. In Crore)**
Balance as at 1st April 2014	236.23
Credited during the period 1.4.14 to 31.03.2015	63.46
Withdrawn during the period	3.16
Balance as at 31.03.2015	296.53

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4.5 AS 15 – Employees Benefits:

ADOPTION OF AS – 15(R):

The Bank has adopted Accounting Standard 15(R) - Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), with effect from 1st April 2007.

The Bank recognizes in its books of accounts the liability arising out of Employee Benefits as the sum of the present value of obligation as reduced by fair value of plan assets on the Balance Sheet date.

OPENING OF PENSION OPTION TO EMPLOYEES AND ENHANCEMENT IN GRATUITY LIMITS

During the year 2010-11 the Bank reopened the pension option for such of its employees who had not opted for the pension scheme earlier. As a result of exercise of the option by 33982 employees, the bank has incurred an additional liability of `.2757.65 crore. Further during the year 2010-11 the limit of gratuity payable to the employees of the banks was also enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result the gratuity liability of the Bank has increased by `.566.00 crore. These additional Liabilities (`2757.65 crore +`566.00 crore, total `3323.65 crore) were calculated on the basis of actuarial valuation.

As per the Accounting Standard (AS) 15, Employee Benefits, the entire amount of `3323.65 crore is required to be charged to the Profit and Loss Account. However, the RBI has issued a circular no. DBOD.BP.BC.80/21.04.018/2010-11 dated 9th February, 2011 on the prudential Regulatory Treatment consequent upon the Re-opening of Pension Option to Employees of Public Sector Banks and Enhancement in Gratuity Limits. In accordance with the provisions of the said Circular, the Bank had charged off `.664.73 crore (`. 551.53 crore for pension and ` 113.20 crore for gratuity) representing one-fifth of `. 3323.65 Crore to Profit & Loss Account for this year 2014-15 (` 2658.92 crore already charged proportionately in previous years i.e. 2010-11 to 2013-14). The transitional liability for pension and Gratuity stands fully charged off as on date.

Further the provision for employee benefits has been calculated by the actuary on basis of pre wage revision salary.

DISCLOSURE IN ACCORDANCE WITH AS-15(R):

In line with the accounting policy and as per the Accounting Standard – 15(R), the summarized position of post-employment benefits are recognized in the Profit & Loss A/c and Balance Sheet as under:

I - Principal Actuarial Assumptions at the Balance Sheet Date

Actuarial Assumptions	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2014	***31.03.2015***	***31.03.2014***	***31.03.2015***	***31.03.2014***	***31.03.2015***
Discount Rate	9.10%	8.03%	9.10%	8.00%	9.10%	8.00%
Expected Return on Plan Assets	8.61%	8.61%	8.61%	8.61%	-	-
Rate of Escalation In salary	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Attrition Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

II - Changes in Present value of the obligation (PVO)-Reconciliation of Opening & Closing Balance

(`in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of Obligation, 01.04.2014	15162.79	2609.52	1289.27
Interest Cost	1342.45	222.47	107.87
Current Service Cost	430.46	182.89	41.87
Benefits paid	(821.16)	(329.48)	(207.81)
Actuarial loss / (gain) on obligations (Balancing Figure)	2102.86	(265.48)	78.31
Present value of Obligation, 31.03.2015	**18217.4**	**2419.92**	**1309.49**

III - Changes in the Fair Value of the Plan Assets- Reconciliation of Opening & Closing balances:

(`in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
FAIR value of Plan Assets, 01.04.2014	14756.02	2756.05	-
Expected return on Plan assets	1335.11	233.46	-
Contributions by Bank, employees	2322.08	240.33	207.74
Benefits Paid	(821.16)	(329.48)	(207.74)
Actuarial (loss) / gain on Plan Assets(Balancing Figure)	(219.04)	(63.96)	-
FAIR value of Plan Assets, 31.03.2015	**17373.01**	**2836.4**	-

IV - Actual Return on Plan Assets

(`in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Expected return on Plan Assets	1335.11	233.46	-
Actuarial (loss) / gain on Plan Assets	(219.04)	(63.96)	-
Actual Return on Plan Assets	**1116.07**	**169.50**	-

V - Net Actuarial (Gain) / loss Recognized

(`in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Actuarial gain / (loss) for the period - Obligations	(2102.86)	265.48	(78.21)
Actuarial gain / (loss) for the period - Plan Assets	(219.04)	(63.96)	-
Total (Gain) / Loss for the period	2321.90	(201.52)	78.21
Actuarial (gain) or loss recognised in the period	**2321.90**	**(201.52)**	**78.21**
Unrecognised Actuarial (gain) / loss at the end of the year	0.00	0.00	0.00

VI - Amount recognised in Balance Sheet and related analysis

(`in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of Obligation, 31.03.2015	18217.4	2419.92	1308.69
FAIR value of Plan Assets, 31.03.2015	17373.01	2836.4	0
Difference	844.39	(416.57)	1308.25
Unrecognised Transitional Liability	0	0.09	0
Unrecognised Past Service cost - vested benefits - Carried Forward	0	0	0
Liability Recognised in the Balance Sheet	**844.39**	-	**1308.25**
Negative amount determined under Paragraph 55 of AS-15 (R)	0	(416.57)	0
Present value of available refunds and reductions in future contributions	0	416.57	0
Resulting asset as per Paragraph 59 (b) of AS-15 (R)	0	416.57	0

VII - Expense recognised in Profit and loss statement

(`in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Current Service Cost	430.46	182.89	41.61
Interest cost	1342.45	222.47	107.83
Expected return on Plan assets	(1335.11)	(233.46)	0
Net Actuarial (gain) / loss recognised in the year	2321.90	(201.52)	78.21
Past Service Cost-Recognised	551.53	113.20	0
Expenses recognised in the statement of profit and loss	**3311.23**	**83.58**	**227.64**

VIII- Movement in Net Liability to be recognised in Balance Sheet

(`in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Opening Net Liability	(144.76)	(259.73)	1288.79
Expenses	3311.23	83.58	227.64
Contributions Paid	(2322.08)	(240.33)	(207.74)
Closing Net Liability (Liability recognised in B/S in current period)	**844.39**	**(416.48)**	**1308.69**

IX -Amount for the current Period

(`in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of Obligation, 31.03.2015	18217.40	2419.92	1308.69
FAIR value of Plan Assets, 31.03.2015	17373.01	2836.4	0
Surplus / (Deficit) before unrecognised past service cost	(844.39)	416.48	(1308.69)
Experience Adjustments in Plan Liabilities -(loss) / Gain	48.45	406.76	(8.66)
Experience Adjustments in Plan Assets (loss) / gain	**(219.04)**	**(63.96)**	**0**

X - Major Categories of Plan Assets (as percentage of Total Plan Assets)

(In %age)

Particulars	PENSION	GRATUITY
Government Of India Securities	12.78	15.45
State Government Securities	36.91	33.21
High Quality Corporate Bonds	35.47	35.60
Equity Shares of listed companies	0.00	0.00
Property	0.00	0.00
Special deposit scheme	6.55	6.69
Funds managed by Insurer	7.37	8.86
Other- Bank Deposits and CDs	0.92	0.19
TOTAL	**100.00**	**100.00**

XI - Best estimate of contribution during next year

(`in Crore)

Particulars	Pension (Funded)	Gratuity (Funded)
Bank's best estimate of Contribution during next year	2600.00	500.00

XII – Other long term employee benefits

(`in Crore)

Particulars	Sick Leave & Casual leave (Unfunded)	Leave Fare concession (unfunded)	Silver Jubilee Bonus (unfunded)
Present Value of Obligation	176.26	124.02	11.76
Opening Balance of Transitional Liability	0	0	0
Transitional Liability recognized in the year	0	0	0
Closing Balance Of Transitional Liability	0	0	0
Liability Recognized in balance Sheet	**176.26**	**124.02**	**11.76**

Particulars	Basis of assumption
Discount rate	Discount rate has been determined by reference to market yields on the balance sheet date on Government Bonds of term consistent with estimated term of the obligations as per para 78 of AS15R.
Expected rate of return on plan assets	The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation.
Rate of escalation in salary	The estimates of future salary increases considered in actuarial valuations taking into account inflation, seniority, promotion and other relevant factors mentioned in paras 83-91 of AS15R.
Attrition rate	Attrition rate has been determined by reference to past and expected future experience and includes all types of withdrawals other than death but including those due to disability.

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4.6 SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH 2015

(As compiled by the management and relied upon by Auditors)

(₹. in lacs)

Sl. No.	Particulars		Year Ended 31.03.15 (Audited) (Consolidated)	Year Ended 31.03.14 (Audited) (Consolidated)
i.	**Segment Revenue**			
	a)	Treasury	1350437	1199800
	b)	Corporate/Wholesale Banking	2528790	2426788
	c)	Retail Banking	1560816	1293454
	d)	Other Banking Operations	48399	46801
	Total		5488442	4966843
ii.	**Segment Results**			
	a)	Treasury	148682	148506
	b)	Corporate/Wholesale Banking	772831	751731
	c)	Retail Banking	502894	417670
	d)	Other Banking Operations	12389	13054
	Total		1436796	1330961
iii.	Unallocated Expenses		163268	144294
iv.	Operating Profit		1273528	1186667
v.	Provision for Tax		107084	143484
vi.	Extraordinary Items		-	-
vii.	Share of Earnings in Associates (Net)		18402	13929
viii.	Minority Interest		12584	5683
ix.	Net Profit		339959	361707
	Other Information:			
x.	**Segment Assets**			
	a)	Treasury	16244582	15563258
	b)	Corporate/Wholesale Banking	32238843	28995399
	c)	Retail Banking	13455503	11326463
	d)	Other Banking Operations	1154296	1223873
	Sub Total		63093224	57108993
	e)	Unallocated Assets	507893	373055
	Total Assets		63601117	57482048
xi.	**Segment Liabilities**			
	a)	Treasury	15001441	14427208
	b)	Corporate/Wholesale Banking	29634992	26564675
	c)	Retail Banking	13612339	11539865
	d)	Other Banking Operations	1074632	1140602
	Sub Total		59323404	53672350
	e)	Unallocated Liabilities	73769	376
	Total Liabilities		59397173	53672726

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Part B – GEOGRAPHIC SEGMENTS

Sl. No	Particulars		Year Ended 31.03.2015 (Audited) (Consolidated)	Year Ended 31.03.2014 (Audited) (Consolidated)
1.	**Revenue**			
	a)	Domestic	5331471	4809872
	b)	International	156971	156971
	Total		5488442	4966843
2.	**Assets**			
	a)	Domestic	55869636	49750567
	b)	International	7731481	7731481
	Total		63601117	57482048

Note
1. Segment Liabilities are distributed in the ratio of their respective Segment Assets.
2. Figures of the previous period have been re-grouped / reclassified wherever necessary to make them comparable.

4.7 Disclosure of Related Parties as per AS –18 issued by ICAI

Names of the related parties and their relationship with the Bank:

Key Management Personnel:

i) Shri K. R. Kamath, Chairman & Managing Director (up to 27.10.2014).
ii) Shri Gauri Shankar , Executive Director (Additional charge of Managing Director & CEO w.e.f. 09.02.2015).
iii) Shri K.V.Brahmaji Rao, Executive Director.
Dr .Ram S.Sangapure, Executive Director

Subsidiaries:

i) PNB Gilts Ltd.
ii) PNB Housing Finance Ltd.
iii) Punjab National Bank (International) Ltd., UK
iv) PNB Investment Services Ltd
v) Druk PNB Bank Ltd, Bhutan.
vi) PNB Insurance Broking Pvt Ltd*.
vii) JSC SB PNB Kazakhstan

Associates:

i) Principal PNB Asset Management Company Pvt. Ltd.
ii) Principal Trustee Company Private Limited
iii) PNB Metlife India Insurance CO Ltd
iv) Madhya Bihar Gramin Bank, Patna.
v) Sarva Haryana Gramin Bank, Rohtak
vi) Himachal Pradesh Gramin Bank, Mandi
vii) Punjab Gramin Bank, Kapurthala.
viii) Sarva UP Gramin Bank, Meerut.

*Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

Note: Assets Care & Reconstructions Enterprise Ltd has ceased to be an Associate of the Bank w.e.f. 09.09.2014, since the share holding of Punjab National Bank has reduced to 15.30% from 30%.

Joint Venture:

i) Everest Bank Limited, Nepal

Transactions with Related Parties*

(₹ in Lac)

Items/ Related Party	Parent** (as per ownership or control)		Subsidiaries**		Associates/ Joint ventures		Key Management Personnel		Relatives of Key Management Personnel		Total	
	2014-15	Maximum amount outstanding	2014-15	Maximum amount outstanding	2014-15	Maximum amount outstanding	2014-15	Maximum amount outstanding	2014-15	Maximum amount outstanding	2014-15	Maximum amount outstanding
Remuneration	N.A	N.A	N.A	N.A	--	--	100.74	NA	NA	NA	100.74	NA
	N.A	N.A	N.A	N.A	--	--	(121.98)	NA	NA	NA	(121.98)	NA
Borrowings	N.A	N.A	N.A	N.A	--	--	-	-	-	-	-	-
Deposits	N.A	N.A	N.A	N.A	9010.29	--	4.97	21.29	4.83	25.95	9020.09	47.24
	N.A	N.A	N.A	N.A	(2488.04)	(8274.89)	(16.05)	(25.56)	(36.25)	(47.31)	(2540.34)	(8347.76)
Placement of Deposits					-	-	-	-	-	-	-	-
	N.A	N.A	N.A	N.A	(34678.25)	(34678.25)	_	_	_	_	(34678.25)	(34678.25)
Advances					2600.00	–	–	–	36.12	36.12	2636.12	36.12
	N.A	N.A	N.A	N.A	(879.67)	(4944.50)	_	_	(24.22)	(24.22)	(879.67)	(4944.50)
Investments in share capital					127.83	–	–	–	–	–	127.83	-
	N.A	N.A	N.A	N.A	_	N.A	_	N.A	_	N.A	_	NA
Investments in debentures						–	–	–	–	–		
	N.A	N.A	N.A	N.A	_	NA	_	NA	_	NA	_	NA
Non funded Commitments	N.A	N.A	N.A	N.A	_	_	--	--	--	--	--	--
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements provided	--	--	--	--	--	--	--	--	--	--	--	--
Purchase of fixed assets	--	--	--	--	--	--	--	--	--	--	--	--
Sale of Fixed Assets	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Interest paid					510.53	–	–	–	–	–	510.53	-
	N.A	N.A	N.A	N.A	(283.48)	N.A	(0.03)	N.A	--	N.A	(283.51)	N.A

K. N. GUTGUTIA & CO. KOLKATA 304153 E Chartered Accountants

C.V.K & ASSOCIATES MUMBAI 101745 W Chartered Accountants

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CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

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Interest received					–	–	–	–	–	–	–	–
	N.A	N.A	N.A	N.A	(2287.21)	N.A	N.A	N.A	–		(2287.21)	N.A
Receiving of Services					–	–	–	–	–	–	–	–
	N.A	N.A	N.A	N.A	(114.30)	NA	–	–	–	–	(114.30)	NA
Rendering of Services					–	–	–	–	–	–	–	–
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Management contracts					–	–	–	–	–	–	–	–
	N.A	N.A	N.A	N.A	(90.00)	–	–		–	–	(90.00)	NA
Dividend received					11.89	–	–	–	–	–	11.89	-
	N.A	N.A	N.A	N.A	(1933.62)	–	–	–	–	–	(1933.62)	–
Bank Charges					–	–	–	–	–	–	–	–
Commission Received					–	–	–	–	–	–	–	–

*As compiled and certified by the management.

(Figures in brackets relate to previous year)

**The transactions with the subsidiaries and certain associates have not been disclosed in view of para-9 of AS-18 'Related Party Disclosure', which exempts state controlled enterprises from making any disclosures pertaining to their transactions with other related parties, which are also state controlled.

4.8. Accounting for Leases – AS 19

Financial Leases:

a. Original value of assets acquired on financial lease and included in other fixed assets (including furniture and fixture): ₹ 0.42 Crores.

The amount of depreciation provided upto 31.03.2015 thereon: ₹ 0.42 Crores

The written down value as on 31.03.2015 :₹ 0.00

b. Minimum Lease Payment due not later than one year: Rs. 0.00

c. Minimum Lease Payment due later than one year but not later than five years: Rs. 0.00

d. Minimum Lease Payment due later than five years : Rs. 0.00

e. Operating leases .₹ 32.66 Crores

i) Minimum Lease payment due not later than 1 year ₹ 12.73 crores

ii)Minimum Lease Payment due later than 1 year but not later than 5 years : ₹ 19.92Crores

4.9. AS 20 - Earnings Per Share

(₹.)

Particulars	As on 31.03.2015	As on 31.03.2014
Earnings per Share Basic Diluted *	 18.78 18.78	 101.62 101.62
Amount used as numerator Profit after tax (Rs. In Crore)	3399.59	3617.07
Nominal value of shares	Rs 2.00	10/- per share
Weighted average number of equity shares used as the denominator	1810470746*	355946370

* The face value of bank's share was split from Rs.10/- per share to Rs. 2/- per share on 19.12.2014.The number of equity shares given is post split.

4.10 AS 22 - Accounting for Taxes on Income

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MUMBAI

HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

Major components of deferred tax assets and liability are set out below

(₹. In Crores)

Particulars	As on 31.03.2015	As on 31.03.2014
Deferred Tax Assets		
Provision for bad & doubtful debts	1408.52	368.50
Provision for leave encashment	524.89	539.32
Provision for Pension & Gratuity	0.03	NIL
Statutory Liabilities u/s 43B	0.34	1.10
Others	1.26	14.15
Total	1935.04	923.07
Deferred Tax Liabilities		
Depreciation on fixed assets	5.03	18.90
Deduction u/s 36(1)(viii)of income tax Act,1961	429.07	309.70
Others	21.48	22.25
Total	455.58	350.85
Deferred Tax Assets/ (Liability) – Net	1479.46	572.22

4.11 AS 28 - Impairment of Assets

A substantial portion of the bank's assets comprise of 'financial assets' to which Accounting Standard 28 'Impairment of Assets' is not applicable. In the opinion of the bank, there is no impairment of its assets (to which the standard applies) to any material extent as at 31st March 2015 requiring recognition in terms of the said standard.

4.12 AS 29 - Provisions, Contingent Liabilities and Contingent Assets

i. Movement of provisions for liabilities *

(₹. In Crores)

Particulars	Salary arrears under negotiation	Legal cases/contingencies
Balance as at 1st April 2014	1020	18.21
Provided during the year	630	1.81
Amounts used during the year	0	0
Reversed during the year	356	1.97
Balance as at 31st March 2015	1294	18.05
Timing of outflow/uncertainties	0	0

* Excluding provisions for others

ii **Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account is as follows:**

(₹. In Crore)

Particulars	Year ended 31.03.2015	Year ended 31.03.2014
Provisions for depreciation on investment	-563.69	782.76
Provision towards NPAs	8262.05	4627.08
Floating provisions for NPAs (over and above RBI provisioning norms)	0	-
Provision towards Standard Assets	437.68	531.75
Provision made towards Income Tax (including FBT & Wealth Tax)	1055.67	1434.84
Others Provision & Contingencies	183.15	955.63
Total	**9374.86**	**8332.06**

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4.13 Break-up of Floating Provisions is as follows:

(₹. in crore)

Particulars	31.03.2015	31.03.2014
Opening balance as on 01.04.2014/01.04.2013	758..29	1103.03
Quantum of floating provisions made during the year	0	10.12
Purpose and amount of draw down made during the year	398.04	354.86
Closing balance as on 31.03.2015/31.03.2014	360.25	758.29

4.14 Refer Schedule-12 on Contingent Liabilities

Such liabilities are dependent upon, the outcome of Court/arbitration/out of court settlement, disposal of appeals, and the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, respectively. No reimbursement is expected in such cases.

4.15 The Bank has issued a Letter of Comfort to Prudential Regulation Authority (PRA), the regulator in United Kingdom, committing that the bank shall provide financial support to its subsidiary, Punjab National Bank (International) Ltd., UK so that it meets its financial commitments as and when they fall due. However, no financial obligation has arisen out of such arrangement during the financial year ending 31st March 2015.

The detail of Letters of Comfort / Letters of undertaking issued and outstanding as at 31st March, 2015.

(Rs. In Crores)

Letter of Comforts (LOC)/ Letter of Undertaking (LoU) issued during 2014-15	43097
LoC / LoU matured / cancelled during 2014-15	20147
LoC / LoU outstanding as at 31.03.2015	22960*

- The above mentioned LoC / LoU have been issued within the sanctioned Trade Credit Limits and forms an integral part of the contingent liabilities reported in the Bank's Balance Sheet under the Head – Acceptance, Endorsements and other Obligations.

5. Other Notes

a. Premises include properties amounting to ₹2.99 crore (Net of Depreciation) (previous year ₹4.34 crore) {Cost ₹7.47crores} (previous year ₹8.70 crore) are awaiting registration of title deeds. Premises include capital work in progress of ₹77.24 crore (previous year ₹26.63 crore)

b. During the year the parent bank has allotted 44207317 equity shares of ₹2/- each to Government of India at a premium of ₹ 194.80 per share as determined by the Board in terms of the Chapter VII of the SEBI (ICDR) Regulations, 2009, as amended from time to time on preferential basis. The total amount received by the bank on this account is ₹.870 crores which includes ₹ 8.84 crores as equity capital and ₹ 861.16 crores as premium. Consequently the Government holding has increased to 59.86 % as against 58.87% before preferential allotment.

6. Figures of the corresponding previous year have been regrouped/ rearranged/reclassified wherever considered necessary.

KOLKATA 304153 E · MUMBAI 101745 W · SRINAGAR 001477 N · MUMBAI 101794 W · MUMBAI · LUCKNOW 000907 N

Abridged Consolidated Balance Sheet of Punjab National Bank as on March 31, 2015

(All amounts in ₹ lac)

	As on March 31, 2015	As on March 31, 2014
CAPITAL & LIABILITIES		
Capital	37091	36207
Reserves & Surplus		
Statutory Reserves	991293	911805
Capital Reserves	333852	313748
Share Premium	772951	641151
Revenue and other Reserves	2041998	1883927
Balance in Profit & Loss Account	81654	64796
Deposits		
Demand Deposits	3454398	3237300
Savings Bank Deposits	15108177	14187564
Term Deposits	32961968	28695489
Borrowings		
Borrowings in India		
(a) from Reserve Bank of India	127100	1527951
(b) from other Banks	896033	470879
(c) from other Institutions and Agencies	2740422	1805444
Borrowings outside India	2156921	2099057
Other liabilities and provisions		
Bills Payable	239883	251286
Inter-Office adjustments (net)	1723	2726
Interest accrued	155619	150706
Provisions towards standard assets	290997	246780
Deferred Tax Liability (Net)		
Others	1209037	955233
Total Capital and Liabilities	63601117	57482048

PUNJAB NATIONAL BANK

(All amounts in ₹ lac)

	As on March 31, 2015	As on March 31, 2014
ASSETS		
Cash and balances with Reserve Bank of India	2443578	2240614
Balances with Banks & Money at Call & Short Notice		
Balances with Banks in India	803544	554842
Money at Call and Short Notice in India	0	697
Balances outside India	2578800	1890446
Investments		
In India		
(a) Government Securities	12757885	11548000
(b) Other Approved Securities	18784	30021
(c) Shares	360436	275526
(d) Debentures and Bonds	1653981	1932443
(e) Subsidiaries and/or joint ventures	127120	78286
(f) Others	569248	870482
Outside India	188712	187712
Advances		
In India		
(a) Bills purchased and discounted	2917025	2191244
(b) Cash Credits, Overdrafts & Loans repayable on demand	14585233	13837356
(c) Term Loans	17071791	15920117
Outside India	5887357	4658604
Fixed Assets	365577	349044
Other Assets		
Inter-Office adjustments(net)	0	0
Interest accrued	432208	429894
Tax paid in advance / deducted at source	158816	100982
Deferred tax asset (net)	147938	57222
Non-banking assets acquired in satisfaction of claim	6564	5435
Others	526520	323081
Total Assets	63601117	57482048

Abridged Profit and Loss Account of Punjab National Bank
for the year ended March 31, 2015

(All amounts in ₹ lac)

	For the year ended March 31, 2015	For the year ended March 31, 2014
Income		
Interest Earned		
On advances/bills	3671790	3370968
On Investments	1104510	1064721
On balances with RBI and other inter-bank funds	60533	36980
Others	34149	23140
Other Income		
Commission, Exchange and Brokerage	275863	260868
Net Profit on sale of Investments	112279	56425
Net Profit on sale of land, buildings and other assets	307	482
Net Profit on exchange transactions	51472	56127
Income by way of Dividends etc. from subsidiaries companies and / or joint ventures abroad/in India	0	0
Miscellaneous Income	177539	97132
Total Income	**5488442**	**4966843**
Expenditure		
Interest Expended		
On Deposits	2811508	2556598
On RBI/ Inter - bank borrowings	139176	135560
Others	183621	129869
Operating Expenses		
Payments to and Provisions for employees	746912	661639
Rent, Taxes and Lighting	57575	50499
Printing and Stationery	8419	7695
Advertisement and Publicity	4876	3587
Depreciation on Bank's property	38399	36662
Directors' fees, allowances and expenses	152	175
Auditors' fees and expenses (including branch audit	5511	4802
Law Charges	6459	5246
Postage, Telegrams, Telephones, etc.	13232	13426
Repairs and Maintenance	19988	15455
Insurance	45443	41111
Others	133933	117852

K. N. GUTGUTIA & CO. KOLKATA 304153 E Chartered Accountants

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CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

पंजाब नैशनल बैंक

PUNJAB NATIONAL BANK

CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH' 2015

(Figures ₹ in Crore)

	Particulars		31st March 2014-15	2013-14
A.	**Cash Flow from/(used in) Operating Activities**			
(I)	**Net Profit after Tax**		3,341.41	3,534.62
	Add: Share of earning in Associates		184.02	139.29
	Net Profit before Minority Interest		**3,525.43**	**3,673.91**
	Add: Provision for Tax (Net of deferred tax)		1,070.84	1,434.84
	Proift before Taxes	(i)	**4,596.27**	**5,108.75**
(ii)	**Adjustment for :**			
	Depreciation on fixed assets		404.62	387.30
	Less : Amount drawn from Revaluation Reserve		(20.63)	(20.67)
	Provision for Non-performing assets		8,238.90	4,627.08
	Provision on Standard Assets		551.35	1,420.03
	Provision on Investments (net)		(585.55)	710.17
	Other Provisions (net)		156.70	144.06
	Dividend from Subsidiary / Others (Investing Activity)		-	-
	Interest on Bonds (Financing Activity)		1,224.27	939.43
	Profit / (Loss) on sale of Fixed Assets (net)		(3.07)	(4.82)
		(ii)	**9,966.59**	**8,202.58**
	Operating Profit before Changes in Operating Assets and Liabilities	(i+ii)	**14,562.86**	**13,311.33**
(iii)	**Adjustment for net change in Operating Assets and Liabilities**			
	Decrease / (Increase) in Investments		(6,625.86)	(15,328.77)
	Decrease / (Increase) in Advances		(46,779.75)	(50,411.15)
	Decrease / (Increase) in Other Assets		(2,036.01)	1,089.06
	Increase / (Decrease) in Deposits		54,041.90	62,203.36
	Increase / (Decrease) in Borrowings		(7,219.46)	8,031.27
	Increase / (Decrease) in Other Liabilities & Provisions		1,426.26	(263.74)
		(iii)	**(7,192.92)**	**5,320.04**
	Cash generated from Operations	(i+ii+iii)	7,369.94	18631.37
	Tax Paid (net of refund)		(2,556.34)	(1,725.28)
	Net Cash used in Operating Activities	(A)	**4,813.60**	**16,906.09**
B.	**Cash Flow from/(used in) Investing Activities**			
	Purchase of Fixed Assets (net of Sales)		(546.25)	(429.88)
	Dividend recd from Subsidiaries / JV / RRBs		-	-
	Investment (Disinvestment) in Subsidaries / JV / RRBs		(325.55)	127.88
	Other Investments		-	-
	Net Cash used in investing Activities	(B)	**(871.80)**	**(302.00)**

K. N. GUTGUTIA & CO. KOLKATA 304153 E Chartered Accountants

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R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW Chartered Accountants

PUNJAB NATIONAL BANK

CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH' 2015

(Figures ₹ in Crore)

				31st March 2014-15		2013-14
C.	**Cash Flow from /(used in)Financing Activities**					
	Issue of share capital (incl Share Premium)			1,326.84		643.30
	Issue/(Redemption) of Bonds (Tier I & Tier II)			7,390.91		3,912.09
	Interest paid on Bonds(Tier I,II)			(1,224.27)		(939.43)
	Payments of Dividends (incl tax on Dividend)			(42.05)		(1,487.09)
	Net Cash used in Financing Activities	(C)		**7,451.43**		**2,128.87**
D	**Net Change in Cash and Cash Equivalents**	(A+B+C)		**11,393.23**		**18,732.96**
	Cash and Cash Equivalents at the beginning of the year					
	Cash and Balances with Reserve Bank of India		22,406.14		17929.51	
	Balances with Banks & Money at Call & Short Notice		24,459.85	**46,865.99**	10203.52	**28,133.03**
	Cash and Cash Equivalents at the end of the year					
	Cash and Balances with Reserve Bank of India		24,435.78		22,406.14	
	Balances with Banks & Money at Call & Short Notice		33,823.44	**58,259.22**	24,459.85	**46,865.99**
				11,393.23		**18,732.96**

Notes :-

1 Direct taxes paid (net of refund) are treated as arising from operating activities and are not bifurcated between investing and financing activities.

2 All figures in minus represents "Cash Out Flow"

T K BALAMUKUNDAN
ASST. GENERAL MANAGER

J K GUPTA
GENERAL MANAGER

DR. RAM S SANGAPURE
EXECUTIVE DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

GAURI SHANKAR
MANAGING DIRECTOR & C.E.O

RAJESH AGGARWAL
DIRECTOR

ON LEAVE
B P KANUNGO
DIRECTOR

C JHALANI
DIRECTOR

DILIP KUMAR SAHA
DIRECTOR

G P KHANDELWAL
DIRECTOR

ON LEAVE
MS HIROO MIRCHANDANI
DIRECTOR

PREM NARAIN
DIRECTOR

As per our Report of even date

For K N Gutgutia & Co.
Chartered Accountants
(B R Goyal - Partner)
M. No. 012172, FRN 304153E

For CVK & Associates
Chartered Accountants
(A K Pradhan - Partner)
M. No. 032156, FRN 101745W

For Ramesh Kapoor & Co.
Chartered Accountants
(Ramesh Kapoor - Partner)
M. No. 080725, FRN 001477N

For Chhajed & Doshi
Chartered Accountants
(M P Chhajed- Partner)
M. No. 049357 , FRN 101794W

For R. Devendra Kumar & Associates
Chartered Accountants
(Neeraj Golas - Partner)
M. No. 074392 , FRN 114207W

For Hem Sandeep & Co.
Chartered Accountants
(Manish Gupta - Partner)
M. No. 092257 , FRN 009907N

Date:08/05/2015
New Delhi

CHHAJED & DOSHI
Chartered Accountants
SURI & CO.
Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES
Chartered Accountants
SPMG & CO.
Chartered Accountants

HEM SANDEEP & CO.
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Punjab National Bank

Report on the Financial Statements

1. We have audited the accompanying Standalone financial statements of **Punjab National Bank** (the 'Bank') as at March 31, 2017, which comprise the Balance Sheet as at March 31, 2017, and Profit and Loss Account and the Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 21 branches, Treasury Division and 34 other offices audited by us, 3607 branches audited by Statutory Branch Auditors (including 1 off-shore banking unit)and 3 foreign branches audited by local auditors in respective countries. The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit and Loss Account are the returns from 3310 branches, 114 other offices of the Bank, which have not been subjected to audit. These unaudited branches and offices account for 5.73% of advances, 21.81%of deposits, 6.70% of interest income and 23.11% of interest expenses.

Management's Responsibility for the Standalone Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with the Banking Regulation Act, 1949, accounting principles generally accepted in India along-with recognition and measurement principles laid down in the Accounting Standards issued by the Institute of Chartered Accountants of India so far as they are applicable to the Bank and Reserve Bank of India guidelines from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

CHHAJED & DOSHI MUMBAI 101794W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907N Chartered Accountants

SURI & CO. Chennai 004283 S Chartered Accountants

SPMG & COMPANY New Delhi Chartered Accountants

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors'judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, as shown by books of bank, and to the best of our information and according to the explanations given to us:

   (i) the Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at March 31, 2017 in conformity with accounting principles generally accepted in India;

   (ii) the Profit and Loss Account, read with the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and

   (iii) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Emphasis of Matter

7. Without qualifying our opinion, we draw attention to Note no. 15 C regarding valuation of Plan Assets of long-term benefits , resulting in excess of fair value of plan assets over present value of obligation amounting to Rs.2026.60 crores credited to "Payments to and Provisions for Employees- Employee Cost " with consequential impact on results for the year.

Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in in accordance with Section 29 of the Banking Regulation Act, 1949.
9. Subject to the limitations of the audit indicated in paragraph 1 to 5 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, and subject also to the limitations of disclosure required therein, we report that:

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory;

(b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

10. We further report that:

(a) the Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account and returns;

(b) the reports on the accounts of the branch offices audited by branch auditors of the Bank under section 29 of the Banking Regulation Act, 1949 have been sent to us and have been properly dealt with by us in preparing this report;

(c) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable accounting standards.

FOR CHHAJED & DOSHI
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 101794W

SUDESH PUNHANI
PARTNER
M.NO.017222

FOR R. DEVENDRA KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 114207W

NEERAJ GOLAS
PARTNER
M.NO.074392

FOR HEM SANDEEP & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.009907N

MANISH GUPTA
PARTNER
M.NO.092257

FOR SURI & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004283S

R. MAHESH
PARTNER
M.NO.024775

FOR SPMG & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.509249C

SATISH CHANDER
PARTNER
M.NO.087562

Place: New Delhi
Date: May 16, 2017

PUNJAB NATIONAL BANK
BALANCE SHEET AS ON 31st MARCH, 2017

(₹000 omitted)

CAPITAL & LIABILITIES	Schedule	As on 31.03.17	As on 31.03.16
Capital	1	4255937	3927195
Reserves & Surplus	2	414213881	379174196
Deposits	3	6217040164	5530511281
Borrowings	4	407633354	597552434
Other Liabilities and Provisions	5	160162148	162739448
	TOTAL	**7203305484**	**6673904554**
ASSETS			
Cash & Balances with Reserve Bank of India	6	252099957	264790678
Balances with Banks & Money at call & short notice	7	631216513	491440222
Investments	8	1867254395	1578458925
Advances	9	4194931496	4123258000
Fixed Assets	10	62732484	52227288
Other Assets	11	195070639	163729441
	TOTAL	**7203305484**	**6673904554**
Contingent Liabilities	12	3328313334	3357959224
Bills for Collection		257791254	232211889

Significant Accounting Policies 17
Notes on Accounts 18
The Schedules 1 to 18 form an integral part of the Accounts.

T K BALAMUKUNDAN
DY. GENERAL MANAGER

S K JAIN
DY. GENERAL MANAGER

P K SHARMA
GENERAL MANAGER

SANJIV SHARAN
EXECUTIVE DIRECTOR

DR. RAM S SANGAPURE
EXECUTIVE DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

SUNIL MEHTA
MANAGING DIRECTOR & C.E.O.

SUNIL MEHTA
CHAIRMAN

ANIL KUMAR KHACHI
DIRECTOR

DR. RABI N. MISHRA
DIRECTOR

MAHESH BABOO GUPTA
DIRECTOR

HIROO MIRCHANDANI
DIRECTOR

SUDHIR NAYAR
DIRECTOR

As per our Report of even date

For Chhajed & Doshi
Chartered Accountants
FRN 101794W
(Sudesh Punhani)
Partner
M No. 017222

For R Devendra Kumar & Associates
Chartered Accountants
FRN 114207W
(Neeraj Golas)
Partner
M No.074392

For Hem Sandeep & Co.
Chartered Accountants
FRN 009907N
(Manish Gupta)
Partner
M No.092257

For Suri & Co.
Chartered Accountants
FRN 004283S
(R Mahesh)
Partner
M No. 024775

For SPMG & Co.
Chartered Accountants
FRN 509249C
(Satish Chander)
Partner
M No. 087562

Date : 16/05/2017
Place: New Delhi

PUNJAB NATIONAL BANK

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2017

(₹000 omitted)

	Schedule	Year Ended 31.03.17	Year Ended 31.03.16
I. INCOME			
Interest earned	13	472759924	474243499
Other Income	14	89513723	60000517
TOTAL		**562273647**	**534244016**
II. EXPENDITURE			
Interest expended	15	322828208	321125720
Operating expenses	16	93793837	99724543
Provisions and Contingencies		132403584	153137713
TOTAL		**549025629**	**573987976**
III. PROFIT			
Net Profit/(Loss) for the year		**13248018**	**-39743960**
Add: Balance in Profit & Loss A/c		0	0
Profit Available for Appropriation		**13248018**	**-39743960**
IV. APPROPRIATIONS			
Transfer to :			
Statutory Reserves		3312004	0
Capital Reserves		5137039	1117341
Revenue & Other Reserves		2098975	-40803267
Proposed Dividend		0	0
Interim Dividend		0	0
Tax on Dividend proposed for the year 2015-16		0	0
Balance Transferred from provision for tax on dividend/dividend		0	-58034
Special reserve as per Income Tax Act		2700000	0
Investment Reserve		0	0
Balance in Profit & Loss Account		0	0
TOTAL		**13248018**	**-39743960**
Earning per Share (₹) (Basic/Diluted)		**6.45**	**-20.82**
(Nominal Value ₹ 2 per share)			
Significant Accounting Policies	17		
Notes on Accounts	18		

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DIRECTOR

As per our Report of even date

For Chhajed & Doshi
Chartered Accountants
FRN 101794W
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M No. 092257

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(R Mahesh)
Partner
M No. 024775

For SPMG & Co.
Chartered Accountants
FRN 509249C
(Satish Chander)
Partner
M No. 087562

Date : 16/05/2017
Place: New Delhi

PUNJAB NATIONAL BANK

SCHEDULE 1 - CAPITAL

(₹000 omitted)

	As on 31.03.17	As on 31.03.16
Authorised 15,00,00,00,000 Equity Shares of ₹ 2 each	**30000000**	**30000000**
Issued & Subscribed 212,79,68,258 (Previous year 196,35,97,490) Equity Shares of ₹2 each	**4255937**	**3927195**
Paid Up 212,79,68,258 (Previous year 196,35,97,490) Equity Shares of ₹2 each	**4255937**	**3927195**
(includes equity shares of 1,38,34,59,223 ₹2 each held by Central Government)		
TOTAL	**4255937**	**3927195**

SCHEDULE 2 - RESERVES & SURPLUS

		As on 31.03.17		As on 31.03.16
I. Statutory Reserves				
Opening Balance	96670507		96670507	
Addition during the year	3312005		0	
		99982512		**96670507**
II. Capital Reserves				
a) **Revaluation Reserve**				
Opening Balance	28447781		13875501	
Addition during the year	9642471		14778569	
Deduction during the year (being depreciation on revalued portion of property)	584941		206289	
Transfer to Other Reserves	0		0	
		37505311		**28447781**
b) **Others**				
Opening Balance	13386581		12269241	
Addition during the year	5137038		1117340	
		18523619		**13386581**
III. Share Premium				
Opening Balance	87129172		70027254	
Addition during the year	20791259		17101918	
Deduction during the year	0	**107920431**	0	**87129172**
IV. Revenue and other Reserves				
a) **Investment Reserve**				
Opening Balance	3705193		3705193	
Add :Transfer from P&L Appropriation A/c	0		0	
Less: Transfer to P&L Appropriation A/c	0	**3705193**	0	**3705193**
b) **Exchange Fluctuation Reserve**				
Opening Balance	642113		542271	
Add :Addition during the year	279478		99842	
Less: Deduction during the year (Net)	0	**921591**	0	**642113**
c) **Special Reserve under Sec.36(1) (viii) of Income Tax Act, 1961**				
Opening Balance	11936600		11936600	
Transferred from Other Reserves	0		0	
Addition during the year	2700000	**14636600**	0	**11936600**
d) **Other Reserve**				
Opening Balance	137256249		178059523	
Addition during the year	2098975		0	
Less: Withdrawal during the year	8336600		40803267	
Add: Transfer from Revaluation Reserves	0		0	
Less: Payment for blocked accounts	0	**131018624**	7	**137256249**
V. Balance in Profit & Loss Account		**0**		**0**
Total of I, II, III, IV,V		**414213881**		**379174196**

(₹000 omitted)

SCHEDULE 3 - DEPOSITS

		As on 31.03.17		As on 31.03.16
I. Demand Deposits				
(i) From Banks	17349781		36366491	
(ii) From Others	441183294		325203374	
		458533075		**361569865**
II. Savings Bank Deposits		**2141625493**		**1694263513**
III. Term Deposits				
A. (i) From Banks	643551247		651814837	
(ii) From Others	2973330349		2822863066	
		3616881596		**3474677903**
Total I, II & III		**6217040164**		**5530511281**
B. (i) Deposits of branches in India		5655727079		4938546917
(ii) Deposits of branches outside India		561313085		591964364
TOTAL B (i) & (ii)		**6217040164**		**5530511281**

SCHEDULE 4 - BORROWINGS

		As on 31.03.17		As on 31.03.16
I. Borrowings in India				
(i) Reserve Bank of India		0		161750000
(ii) Other Banks		3849185		24327138
(iii) Other Institutions and Agencies		17539645		54284880
(iv) **Unsecured Redeemable Bonds**				
a) Tier-I Bonds (Perpetual Debt Instruments)	57705000		35205000	
b) Upper Tier-II Bonds	61100000		66100000	
c) Subordinate debts for Tier II Capital	50000000		64998000	
d) Long term infrastructure bonds	28000000	**196805000**	28000000	**194303000**
II. Borrowings outside India		189439524		162887416
Total of I, II		**407633354**		**597552434**
Secured Borrowings included in I & II above		0		178915913

CHHAJED & DOSHI MUMBAI 101794W Chartered Accountants
R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS
HEM SANDEEP & CO. LUCKNOW 009907N Chartered Accountants
SURI & CO. Chennai 004283 S Chartered Accountants
S P M G & COMPANY New Delhi 509249C Chartered Accountants

PUNJAB NATIONAL BANK

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS (₹000 omitted)

	As on 31.03.17	As on 31.03.16
I. Bills Payable	25540463	24257226
II. Inter-Office adjustments(net)	27863	79613
III. Interest accrued	12292060	16072257
IV. Deferred Tax Liability (Net)	0	0
V. Others (including Provisions)	122301762	122330352
Total of I, II, III, IV, V	**160162148**	**162739448**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

I. **Cash in hand (Including foreign currency notes)**	20984803	22238461
II. **Balance with Reserve Bank of India**		
In Current Account	231115154	242552217
In other Account	0	0
Total of I, II	**252099957**	**264790678**

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

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PUNJAB NATIONAL BANK

SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

(₹000 omitted)

		As on 31.03.17		As on 31.03.16
I. In India				
(i) Balances with Banks				
a) In Current Accounts	6499917		22938001	
b) In Other Deposit Accounts	97120140	103620057	82369390	105307391
(ii) Money at Call and Short Notice				
a) with Banks	0		0	
b) with Other Institutions	220000000	220000000	20000000	20000000
TOTAL		323620057		125307391
II. Outside India				
(i) Balances with Banks				
a) In Current Accounts	11955070		8569635	
b) In Other Deposit Accounts	295641386		352873196	
(ii) Money at Call & Short Notice	0		4690000	
TOTAL		307596456		366132831
GRAND TOTAL of I, II		631216513		491440222

PUNJAB NATIONAL BANK

SCHEDULE 8 - INVESTMENTS (₹000 omitted)

	As on 31.03.17	As on 31.03.16
I. Investments in India : Gross	1825913632	1535050431
Less: Provision for Depreciation	14126142	9606405
Net Investment in India	**1811787490**	**1525444026**
(i) Government Securities	1461827636	1249505557
(ii) Other Approved Securities	1883020	1883020
(iii) Shares	53578677	45333251
(iv) Debentures and Bonds	247195844	188658858
(v) Subsidiaries and/or joint ventures (including sponsored institutions)	7532699	7532699
(vi) Others Various Mutual Funds & Commercial Papers etc.	39769614	32530641
TOTAL of I	**1811787490**	**1525444026**
II. Investments Outside India : Gross	55466905	53014899
Less: Provision for depreciation	0	0
Net Investments outside India	**55466905**	**53014899**
(i) Govt. securities including local authorities	14973914	15454761
(ii) Subsidiary and / or Joint ventures abroad	15516110	15516110
(iii) Others	24976881	22044028
TOTAL of II	**55466905**	**53014899**
GRAND TOTAL of I, II	**1867254395**	**1578458925**

CHHAJED & DOSHI MUMBAI 101794W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

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PUNJAB NATIONAL BANK

SCHEDULE 9 - ADVANCES (₹000 omitted)

	As on 31.03.17	As on 31.03.16
A (i) Bills purchased and discounted	295556725	300905923
(ii) Cash Credits, Overdrafts & Loans repayable on demand	2493598870	2338102826
(iii) Term Loans	1405775901	1484249251
Total	**4194931496**	**4123258000**
B (i) Secured by tangible assets (Includes advances against Book Debts)	3607407220	3731505914
(ii) Covered by Bank/Government guarantees	108915173	101007144
(iii) Unsecured	478609103	290744942
Total	**4194931496**	**4123258000**
C (I) Advances in India		
(i) Priority Sector	1331280529	1393954904
(ii) Public Sector	199391059	189099143
(iii) Banks	16965	3138
(iv) Others	2164233273	2010939517
Total	**3694921826**	**3593996702**
C(II) Advances outside India		
(i) Due from Banks	281380953	321113463
(ii) **Due from Others**		
(a) Bills Purchased & Discounted	5319639	5310147
(b) Syndicated Loans	24266223	10107862
(c) Others	189042855	192729826
Total	**500009670**	**529261298**
GRAND TOTAL (Total of I & II)	**4194931496**	**4123258000**

PUNJAB NATIONAL BANK

SCHEDULE 10 - FIXED ASSETS

(₹000 omitted)

	As on 31.03.17		As on 31.03.16	
A TANGIBLE ASSETS				
I. Premises				
At cost / valuation as on 31st March of the preceding year	45097669		28620221	
Addition during the period	1216189		1698879	
Add: Revaluation during the year	9642471		14778569	
	55956329		**45097669**	
Deduction during the year	0		0	
Adjustment During the Period	563526			
	55392803		**45097669**	
Depreciation to date (Including on revalued amount)	5071965	**50320838**	4371867	**40725802**
II. Other Fixed Assets (Including Furniture & Fixtures)				
At cost as on 31st March of the preceding year	36915068		34903685	
Addition during the year	5025505		4814124	
	41940573		**39717809**	
Deduction during the year	1117657		2802740	
	40822916		**36915069**	
Depreciation to date	29138093	**11684823**	26352729	**10562340**
III Leased Assets				
At cost as on 31st March of the preceding year	252386		252386	
	252386		**252386**	
Addition/adjustment during the year	0		0	
Deduction during the year	0		0	
	252386		**252386**	
Amortisation / lease adjustment to date	252386	**0**	252386	**0**
Total of I, II, III		**62005661**		**51288142**
B INTANGIBLE ASSETS				
Computer Software				
At cost as on 31st March of the preceding year	3663449		3252893	
Addition during the period	142959		410971	
	3806408		**3663864**	
Deduction during the year	0		415	
	3806408		**3663449**	
Amortised to date	3079585		2724303	
Total		**726823**		**939146**
GRAND TOTAL (A+B)		**62732484**		**52227288**

PUNJAB NATIONAL BANK

SCHEDULE 11 - OTHER ASSETS (₹000 omitted)

	As on 31.03.17	As on 31.03.16
I. Interest accrued	44662889	45989390
II. Tax paid in advance / tax deducted at source	7539712	15362610
III. Stationery and stamps	99365	93337
IV. Non-banking assets acquired in satisfaction of claims	1120259	277626
V. Deferred tax asset (net)	61010344	46174739
VI. Others	80638070	55831739
Total of I, II, III, IV, V, VI	**195070639**	**163729441**

SCHEDULE 12 - CONTINGENT LIABILITIES

	As on 31.03.17	As on 31.03.16
I (i) Claims against the Bank not acknowledged as debts	2406801	2310441
(ii) Disputed income tax and interest tax demands under appeals, references etc.	0	11557896
II. Liability for partly paid investments	115	115
III. Liability on account of outstanding forward exchange contracts	2494863829	2556585121
IV. Guarantees given on behalf of constituents:		
(a) In India	381888703	324802331
(b) Outside India	139205925	136191530
V. Acceptances, endorsements and other obligations	296648106	319518652
VI. Other items for which the Bank is contingently liable	13299855	6993138
Total of I, II, III, IV, V, VI	**3328313334**	**3357959224**

CHHAJED & DOSHI MUMBAI 101794W Chartered Accountants

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PUNJAB NATIONAL BANK

SCHEDULE 13 - INTEREST EARNED (₹000 omitted)

		Year Ended 31.03.17	Year Ended 31.03.16
I.	Interest/discount on advances/bills	329588223	344455374
II.	Income on Investments	125771706	120336525
III.	Interest on balances with Reserve Bank of India and other Inter-Bank funds	13542009	7305026
IV.	Others	3857986	2146574
	Total of I, II, III, IV	**472759924**	**474243499**

SCHEDULE 14 - OTHER INCOME

			Year Ended 31.03.17		Year Ended 31.03.16
I.	Commission, Exchange and Brokerage		32278581		27873534
II.	Profit on sale of Investments	28506091		12137777	
	Less: Loss on sale of Investments	1962860	26543231	2144962	9992815
III.	Dividend Income from Units of Mutual Fund/ Income on redemption of Units		0		0
III.	Profit on revaluation of Investments	0		0	
	Less: Loss on revaluation of Investments/ Amortisation	0	0	0	0
IV.	Profit on sale of land, buildings and other assets	55086		31507	
	Less: Loss on sale of land, buildings and other assets	1328	53758	6502	25005
V	Profit on exchange transactions	14646947		15195893	
	Less: Loss on exchange transactions	8818828	5828119	10926983	4268910
VI.	Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures in India & abroad.		958509		1159689
VII.	Miscellaneous Income		23851525		16680564
	Total of I, II, III, IV, V, VI, VII & VIII		**89513723**		**60000517**

PUNJAB NATIONAL BANK

SCHEDULE 15 - INTEREST EXPENDED

(₹000 omitted)

		Year Ended 31.03.17	Year Ended 31.03.16
I.	Interest on Deposits	299336656	298025714
II.	Interest on Reserve Bank of India/ inter-bank borrowings	2415350	2502097
III.	Others	21076202	20597909
	Total of I, II, III	**322828208**	**321125720**

SCHEDULE 16 - OPERATING EXPENSES

			Year Ended 31.03.17		Year Ended 31.03.16
I.	Payments to and Provisions for employees		54207188		64259453
II.	Rent, Taxes and Lighting		6922235		6258066
III.	Printing and Stationery		958918		845261
IV.	Advertisement and Publicity		553613		548490
V.	Depreciation/Amortisation on Bank's property	4835308		4163580	
	Less: Adjusted with Revaluation Reserve	584941		206289	
			4250367		3957291
VI.	Directors' fees, allowances and expenses		14633		14170
VII.	Auditors' fees and expenses		673015		688166
VIII.	Law Charges		643284		612675
IX.	Postage, Telegrams, Telephones, etc.		1754023		1426920
X.	Repairs and Maintenance		2340978		2189965
XI.	Insurance		5685672		5138774
XII.	Other expenditure		15789911		13785312
	Total of I to XII		**93793837**		**99724543**

PUNJAB NATIONAL BANK

SCHEDULE 17 (SOLO) – 31.03.2017

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION:

The financial statements have been prepared on historical cost basis and conform, in all material aspects, to Generally Accepted Accounting Principles (GAAP) in India unless otherwise stated encompassing applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Banking Regulation Act 1949, Accounting Standards (AS) and pronouncements issued by The Institute of Chartered Accountants of India (ICAI) and prevailing practices in Banking industry in India.

In respect of foreign offices, statutory provisions and practices prevailing in respective foreign countries are complied with except as specified elsewhere.

The financial statements have been prepared on going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated

2. Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

Future results could differ from these estimates.

Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

Any revision to the accounting estimates is recognised prospectively in the current and future periods unless otherwise stated.

3. REVENUE RECOGNITION

3.1 Income & expenditure (other than items referred to in paragraph 3.5) are generally accounted for on accrual basis.

3.2 Income from Non- Performing Assets (NPAs), comprising of advances, and investments, is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices (hereafter collectively referred to as Regulatory Authorities).

3.3 Recoveries in NPA accounts (irrespective of the mode / status / stage of recovery actions) are appropriated in the following order of priority : -

a) Expenditure/out of pocket expenses incurred for recovery (earlier recorded in memorandum dues);
b) Principal irregularities i.e. NPA outstanding in the account.
c) Towards the interest irregularities/accrued interest.

3.4 The sale of NPA is accounted as per guidelines prescribed by RBI and as disclosed under Para 5.4.

3.5 Commission (excluding on Government Business), interest on overdue bills, exchange, locker rent, income from merchant banking transactions and Income on Rupee Derivatives designated as "Trading" are accounted for on realization and insurance claims are accounted for on settlement.

3.6 In case of suit filed accounts, related legal and other expenses incurred are charged to Profit & Loss Account and on recovery the same are accounted for as such.

3.7 Income from interest on refund of income tax is accounted for in the year the order is passed by the concerned authority.

3.8 Lease payments including cost escalation for assets taken on operating lease are recognised in the Profit and Loss Account over the lease term in accordance with the AS 19 (Leases) issued by ICAI.

3.9 Provision for Reward Points on Debit/Credit cards is made based on the accumulated outstanding points in each category.

3.10 Interest on unpaid and unclaimed matured term deposits is accounted for at savings bank rate.

3.11 Dividend is accounted for as and when the right to receive the dividend is established.

4. INVESTMENTS

4.1 The transactions in Securities are recorded on "Settlement Date".

4.2 Investments are classified into six categories as stipulated in form A of the third schedule to the Banking Regulation Act, 1949.

4.3 Investments have been categorized into "Held to Maturity", "Available for Sale" and "Held for Trading" in terms of RBI guidelines as under:

(a) Securities acquired by the Bank with an intention to hold till maturity are classified under "Held to Maturity".

(b) The securities acquired by the Bank with an intention to trade by taking advantages of short-term price/ interest rate movements are classified under "Held for Trading".

(c) The securities, which do not fall within the above two categories, are classified under "Available for Sale"

4.4 **Investments in subsidiaries, joint ventures and associates are classified as HTM.**

4.5 Transfer of securities from one category to another is carried out at the lower of acquisition cost/ book value/ market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for.

However, transfer of securities from HTM category to AFS category is carried out on book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

4.6 In determining acquisition cost of an investment

a. Brokerage / commission received on subscription is deducted from the cost of securities.

b. Brokerage, commission, Securities Transaction Tax (STT) etc. paid in connection with acquisition of securities are treated as revenue expenses upfront and excluded from cost.

c. Interest accrued up to the date of acquisition/sale of securities i.e. broken — period interest is excluded from the acquisition cost/sale consideration and the same is accounted in interest accrued but not due account.

d. Cost is determined on the weighted average cost method for all categories of investments.

4.7 Investments are valued as per RBI/ FIMMDA guidelines, on the following basis:

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SURI & CO Chennai 004283 S Chartered Accountants

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Held to Maturity

i) Investments under "Held to Maturity "category are carried at acquisition cost.

Wherever the book value is higher than the face value/redemption value, the premium is amortized over the remaining period to maturity on straight line basis. Such amortisation of premium is **reflected in Interest Earned** under the head " Income on investments" as a deduction.

ii) Investments in subsidiaries/joint ventures/associates are valued at carrying cost less diminution, other than temporary in nature for each investment individually.

iii) Investments in sponsored regional rural banks are valued at carrying cost.

iv) Investment in Venture Capital is valued at carrying cost.

v) Equity shares held in HTM category are valued at carrying cost.

Available for Sale and Held for Trading

a)	**Govt. Securities**	
	I Central Govt. Securities	At market prices/YTM as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)
	II State Govt. Securities	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines.
b)	Securities guaranteed by Central / State Government, PSU Bonds (not in the nature of advances)	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines
c)	Treasury Bills	At carrying cost
d)	Equity shares	At market price, if quoted, otherwise at break up value of the Shares as per latest Balance Sheet (not more than one year old), otherwise at Re.1 per company
e)	Preference shares	At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per RBI/FIMMDA guidelines.
f)	Bonds and debentures (not in the nature of advances)	At market price, if quoted, or on appropriate yield to maturity basis as per RBI/FIMMDA guidelines.
g)	Units of mutual funds	As per stock exchange quotation, if quoted; at repurchase price/NAV, if unquoted

h)	Commercial Paper	At carrying cost
i)	Certificate of Deposits	At carrying cost
j)	Security receipts of ARCIL	At net asset value of the asset as declared by ARCIL
k)	Venture Capital Funds	At net asset value (NAV) declared by the VCF
l)	Other Investments	At carrying cost less diminution in value

The above valuation in category of Available for Sale and Held for Trading is done scrip wise on quarterly basis and depreciation/appreciation is aggregated for each classification. Net depreciation for each classification, if any, is provided for while net appreciation is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

4.8 Investments are subject to appropriate provisioning/ de-recognition of income, in line with the prudential norms of Reserve Bank of India for NPI classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities. For NPI in preference share, debentures and bonds, in addition to valuation as above, further provision is made on Sub-standard and Doubtful assets as per NPA provisioning norms.

If any credit facility availed by an entity is NPA in the books of the Bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa. However, in respect of NPI preference share where the dividend is not paid, the corresponding credit facility is not treated as NPA.

4.9 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of investments in "Held to Maturity" category, an equivalent amount (net of taxes and amount required to be transferred to Statutory Reserve) is appropriated to "Capital Reserve Account"

4.10 Securities repurchased/resold under buy back arrangement are accounted for at original cost.

4.11 The securities sold and purchased under Repo/Reverse Repo are accounted as Collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/purchase transactions and such movement of securities is reflected using the Repo/Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo Account is classified under schedule 4 (Borrowings) and balance in Reverse Repo Account is classified under

Schedule7 (Balance with Banks and Money at Call & Short Notice).The same is also applicable to LAF with RBI.

4.12 The derivatives transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market. As per RBI guidelines, different categories of swaps are valued as under: -

Hedge Swaps

Interest rate swaps which hedge interest bearing asset or liability are accounted for on accrual basis except the swaps designated with an asset or liability that are carried at market value or lower of cost in the financial statement.

Gain or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset/ liabilities.

Trading Swaps

Trading swap transactions are marked to market with changes recorded in the financial statements.

Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

4.13 Foreign currency options

Foreign currency options written by the bank with a back-to-back contract with another bank are not marked to market since there is no market risk.

Premium received is held as a liability and transferred to the Profit and Loss Account on maturity/cancellation.

5. LOANS / ADVANCES AND PROVISIONS THEREON:

5.1 Advances are classified as performing and non-performing assets; provisions are made in accordance with prudential norms prescribed by RBI.

5.1 (a) Advances are classified : Standard, Sub Standard, Doubtful and Loss assets borrower wise.

5.1(b) Advances are stated net of specific loan loss provisions, provision for diminution in fair value of restructured advances.

5.2 In respect of foreign offices, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

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Loans and advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country.

5.3 Financial Assets sold are recognized as under:

(a) *For Sale of financial assets sold to SCs/RCs*

(i) If the sale to SCs/RCs is at a price below the Net Book Value (NBV), (i.e. Book Value less provisions held), the shortfall should be debited to the Profit & Loss account of that year. *Bank can also use countercyclical / floating provisions for meeting the shortfall on sale of NPAs i.e when the sale is at a price below the NBV.*

However, for assets sold on or after 26.02.2014 and upto 31.03.2016, as incentive for early sale of NPAs, bank can spread over any shortfall, if the sale value is lower than the NBV, over a period of two years. However, assets sold from 01.04.2016 to 31.03.2017, shortfall is to be amortized over a period of only four quarters from the quarter, in which the sale took place.

(ii) If the sale is for a value higher than the NBV, Bank can reverse the excess provision on sale of NPAs to its profit and loss account in the year, the amounts are received. However, Bank can reverse excess provision (when the sale is for a value higher than the NBV) arising out of sale of NPAs, only when the cash received (by way of initial consideration and/or redemption of SRs/PTCs) is higher than the NBV of the asset. Further, reversal of excess provision will be limited to the extent to which cash received exceeds the NBV of the asset.

(b) *For Sale of financial assets sold to Other Banks/NBFCs/FIs etc.*

(i) In case the sale is at a price below the Net Book Value (NBV) i.e. Book Value less provision held, the shortfall should be debited to the Profit & Loss A/c of that year.

(ii) In case the sale is for a value higher than the Net Book Value (NBV) i.e. Book Value less provision held, the excess provision shall not be reversed but will be utilized to meet the shortfall/loss on account of sale of other NPAs.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package.

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Necessary provision for diminution in the fair value of a restructured account is made.

5.4 For restructured/rescheduled advances, provisions are made in accordance with guidelines issued by RBI.

In respect of non-performing loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

5.5 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions – Others" and are not considered for arriving at the Net NPAs.

5.6 In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ` 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

5.7 Provision for Country Exposure:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorized into seven risk categories, namely, insignificant, low, moderately Low, moderate, moderately high, high & very high and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the "Other liabilities & Provisions – Others".

5.8 An additional provision of 2% (in addition to country risk provision that is applicable to all overseas exposures) against standard assets representing all exposures to step down subsidiaries of Indian Corporates has been made to cover the additional risk arising from complexity in the structure, location of different intermediary entities in different jurisdictions exposing the Indian

Company, and hence the Bank, to a greater political and regulatory risk. (As per RBI Cir.No. RBI/2015.16/279 DBR.IBD.BC No. 68/23.37.001/2015-16 dated 31.12.2015).

6. FIXED ASSETS

6.1 Fixed assets are stated at historical cost less accumulated depreciation/amortisation, wherever applicable, except those premises, which have been revalued. The appreciation on revaluation is credited to revaluation reserve and incremental depreciation attributable to the revalued amount is deducted therefrom.

6.2 Software is capitalized and clubbed under Intangible assets.

6.3 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset till the time of capitalization. Subsequent expenditure/s incurred on the assets are capitalised only when it increases the future benefits from such assets or their functioning capability.

6.4 DEPRECIATION

A. Depreciation on assets (including land where value is not separable) is provided on straight-line method based on estimated life of the asset, except in respect of computers where it is calculated on the straight-line method, at the rates prescribed by RBI.

B. Depreciation on assets has been provided at the rates furnished below:-

Particulars	Rate of Depreciation
Land acquired on perpetual lease where no lease period is mentioned	Nil
Land acquired on lease where lease period is mentioned	Over lease period
Building	
• Constructed on free hold land and on leased land, where lease period is above 40 years	2.50%
• Constructed on leased land where lease period is below 40 years.	Over lease period
Built-up Assets taken over from erstwhile New Bank of India & Nedungadi Bank Ltd	4.00%
Furniture and fixtures- Steel articles	5.00%
Furniture and fixtures-wooden articles	10.00%
Mattresses	20.00%
Mobile Phone Instruments	33.33%
Machinery, electrical and miscellaneous articles	15.00%
Motor cars and cycles	15.00%
Computers, ATMs and related items, laptop, i pad	33.33%

Computer Application Software – Intangible Assets	
- Up to Rs. 5,000	Charged to Revenue
- Others	20.00%

C. Depreciation on fresh additions to assets other than bank's own premises is provided from the month in which the assets are put to use and in the case of assets sold/disposed off during the year, up to the month preceding the month in which it is sold/ disposed off.

D. The depreciation on bank's own premises existing at the close of the year is charged for full year. The construction cost is depreciated only when the building is complete in all respects. Where the cost of land and building cannot be separately ascertained, depreciation is provided on the composite cost, at the rate applicable to buildings.

E. In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year(s).

7. IMPAIRMENT OF ASSETS

The carrying costs of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors.

An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, if any, depreciation is provided on the revised carrying cost of the asset over its remaining useful life.

A previously recognized impairment loss is increased or reversed depending on changes in circumstances.

However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

8. EMPLOYMENT BENEFITS

- **PROVIDENT FUND:**

Provident fund is a defined contribution scheme as the Bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contribution are charged to Profit & Loss A/c.

- **GRATUITY:**

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

- **PENSION:**

Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

The Bank operates a New Pension Scheme (NPS) for all officers/ employees joining the Bank on or after 01.04.2010. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of registration procedures of the employees concerned, these contributions are retained. The Bank recognizes such annual contributions as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

- **COMPENSATED ABSENCES:**

Accumulating compensated absences such as Privilege Leave (PL) and Sick Leave (including unavailed casual leave) are provided for based on actuarial valuation.

- **OTHER EMPLOYEE BENEFITS:**

Other Employee Benefits such as Leave Fare Concession (LFC), Silver Jubilee Award, etc. are provided for based on actuarial valuation.

In respect of overseas branches and offices, the benefits in respect of employees other than those on deputation are valued and accounted for as per laws prevailing in the respective countries.

9. TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS & BALANCES:

Transactions involving foreign exchange are accounted for in accordance with AS 11, "The Effect of Changes in Foreign Exchange Rates".

9.1 Except advances of erstwhile London branches which are accounted for at the exchange rate prevailing on the date of parking in India, all other monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are initially recorded at a notional rate and translated in Indian

Rupee equivalent at the exchange rates prevailing as on the Balance Sheet date as per Foreign Exchange Dealers' Association of India (FEDAI) guidelines.

9.2 Non-monetary items other than fixed assets which are carried at historical cost are translated at exchange rate prevailing on the date of transaction.

9.3 Outstanding Forward exchange spot and forward contracts are translated as on the Balance Sheet date at the rates notified by FEDAI and the resultant gain/loss on translation is taken to Profit & Loss Account.

Foreign exchange spot/forward contracts/deals (Merchant and Inter-bank) which are not intended for trading/Merchant Hedge and are outstanding on the Balance Sheet date, are reverse re-valued at the closing FEDAI spot/forward rate in order to remove revaluation effect on exchange profit. The premium or discount arising at the inception of such a forward exchange contract is amortised as interest expense or income over the life of the contract.

9.4 Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the Profit and Loss Account.

9.5 Offices outside India / Offshore Banking Units:

i. Operations of foreign branches and off shore banking unit are classified as "Non-integral foreign operations" and operations of representative offices abroad are classified as "integral foreign operations"
ii. Foreign currency transactions of integral foreign operations and non-integral foreign operations are accounted for as prescribed by AS-11.
iii. Exchange Fluctuation resulting into Profit / loss of non-integral operations is credited /debited to Exchange Fluctuation Reserve.

10. TAXES ON INCOME

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively after taking into account taxes paid at the foreign offices, which are based on the tax laws of respective jurisdictions.

Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgment as to whether their realisation is considered as reasonably/virtually certain.

11. Earnings per Share:

The Bank reports basic and diluted earnings per share in accordance with AS 20 -'Earnings per Share' issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

12. Provisions, Contingent Liabilities and Contingent Assets:

- In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

- Contingent Assets are not recognised in the financial statements.

13. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold, which is treated as deposits/advances as the case may be with the interest paid / received classified as interest expense/income.

14. Segment Reporting

The Bank recognizes the Business segment as the Primary reporting segment and Geographical segment as the Secondary reporting segment, in accordance with the RBI guidelines and in compliance with the Accounting Standard 17 issued by ICAI.

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PUNJAB NATIONAL BANK
SCHEDULE 18 (SOLO)
NOTES TO ACCOUNTS (31.03.2017)

1. Capital

(₹ in Crore)

Sl. No	Particulars	31.03.2017	31.03.2016
i.	Common equity Tier 1 Capital ratio (%)*	7.87	7.87
ii.	Tier 1 Capital ratio (%)*	8.91	8.41
iii.	Tier 2 Capital ratio (%)*	2.75	2.87
iv.	**Total Capital ratio (CRAR) (%)***	**11.66**	**11.28**
v.	Percentage of the shareholding of the Government of India in the Bank	65.01%	62.08%
vi.	Amount of equity Capital raised	2112.00**	21.81
vii.	Amount of Additional Tier 1 Capital raised; of which :	2250.00	NIL
	Perpetual Non- Cumulative Preference Shares(PNCPS):	NIL	NIL
	Perpetual Debt Instruments (PDI):	2250.00	NIL
viii.	Amount of Tier 2 Capital raised; of which :	NIL	1500.00
	Debt Capital instrument:	NIL	1500.00
	Preference Share Capital Instruments:[Perpetual Cumulative Preference Shares (PCPS / Redeemable Non- Cumulative Preference Shares (RNCPS) /Redeemable Cumulative Preference Shares (RCPS)]	NA	NA

* Information given in 1 (i to iv) has been given as per Basel III Capital Regulations.

** Includes Rs. 32.87 crore as equity capital and Rs. 2079.13 crore as premium.

2. Investments

(₹ in Crore)

	Particulars	31.03.2017	31.03.2016
(1)	**Value of Investments**		
i	Gross value of Investments	188138.05	158806.54
a	In India	182591.36	153505.04
b	Outside India	5546.69	5301.50
ii	Provisions for Depreciation	1412.61	960.64
a	In India	1412.61	960.64
b	Outside India	0.00	0.00

iii	Net value of Investments	186725.44	157845.90
a	In India	181178.75	152544.40
b	Outside India	5546.69	5301.50
(2)	**Movement of provisions held towards depreciation on investments.**		
i	Opening balance	960.64	603.44
ii	Add: Provisions made during the year	704.68	762.21
iii	Less: Write-off/ write-back of excess provisions during the year (Net).	252.71	405.01
iv	Closing balance	1412.61	960.64

3. Repo Transactions (in face value terms)

(₹. in Crore)

Face Value	Minimum outstanding during the year ended 31.03.2017	Maximum outstanding during the year ended 31.03.2017	Daily Average outstand-ing during the year ended 31.03.2017	Outstanding as on 31.03.2017
Securities sold under repo				
(i) Government Securities	0.00 (0.00)	16175.00 (16175.00)	353.67 (824.72)	0.00 (16175.00)
(ii) Corporate Debt Securities	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Securities purchased under reverse repo				
(i) Government Securities	0.00 (0.00)	39084.00 (12163.42)	13386.33 (3961.85)	22000.00 (2000.00)
(ii) Corporate Debt Securities	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)

(Figures in brackets relate to previous year)

4. Non-SLR Investment Portfolio

4a. Issuer composition of Non SLR investments As on 31.03.2017

(₹ in Crore)

Sr.No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	10618.03 (8628.60)	NIL (NIL)	NIL (NIL)	1329.06 (NIL)	NIL (NIL)

(ii)	FIs	13612.88 (10832.29)	27.00 (27.00)	NIL (NIL)	NIL (NIL)	NIL (51.74)
(iii)	Banks	4578.34 (3695.76)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
(iv)	Private Corporates	7617.31 (5491.45)	50.00 (50.00)	NIL (NIL)	39.25 (1.5)	39.25 (343.38)
(v)	Subsidiaries / Joint Ventures	2305.14 (2305.14)	NIL (NIL)	NIL (NIL)	NIL (NIL)	321.45 (433.95)
(vi)	Others*	3491.80 (6942.95)	NIL (NIL)	NIL (NIL)	0.00 (0.70)	0.00 (0.70)
(vii)	Provisions held towards depreciation.	-1053.56 (-960.57)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
	Total	**41169.94 (36935.62)**	**77.00 (77.00)**	**NIL (NIL)**	**1368.31 (2.20)**	**360.70 (829.77)**

(Figures in brackets relate to previous year)

*Others include Special Govt. Securities of ₹ 2312.96 Crore (Net of depreciation, if any) shown under Govt. Securities in Schedule 8. Amounts reported under columns 4, 5, 6 and 7 above may not be mutually exclusive.

4b. Non-performing Non-SLR investments

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Opening balance	516.41	297.76
Additions during the year	276.01	275.70
Reductions during the year	64.52	57.05
Closing balance	727.90	516.41
Total provisions held	591.23	267.00

4c. Sale and transfers to / from HTM category

The total value of sales and transfers of securities to / from HTM category during 1st April 2016 to 31st March, 2017 has exceeded 5% of the book value of investments held in HTM category as on 31.03.2016 (Excluding following Transactions).

{The 5 percent threshold referred to above will exclude (a) the one- time transfer of securities to/ from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the beginning of the accounting year (b) sales to the Reserve Bank of India under pre-announced OMO auctions, (c) Repurchase of Government Securities by Government of India from banks, (d) Sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM at the beginning of April, July, October 2016 and January 2017, in addition to the shifting permitted at the beginning of the accounting year, i.e. April, 2016}

Disclosure in terms of extant RBI guidelines (excess of book value over market value for which provision is not made) is as follows:

(Amount in Rupees Crores)

Particulars	Book Value	Market Value	Excess of Book Value over Market Value
1. Government Securities	112164.99	115034.48	0.00
2. Other Approved Securities	139.21	141.64	0.00
3. Shares	56.88	86.60	0.00
4. Debenture & Bonds	1319.98	1289.92	30.06
5. Subsidiaries, Joint Ventures, Associates & RRBs	2304.88	12108.96	0.00
6. Others	131.12	193.86	0.00
Total	**116117.06**	**128855.46**	**30.06**

5. Derivatives

5a. Forward Rate Agreement/ Interest Rate Swap

(₹ in Crore)

	Particulars	31.03.2017	31.03.2016
i	The notional principal of swap agreements	372.44	1197.44
ii	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	4.00	9.35
iii	Collateral required by the bank upon entering into swaps	Nil	Nil
iv	Concentration of credit risk arising from the Swaps	Nil	Nil
v	The fair value of the swap book	(-) 1.0878	(-) 0.1291

The above Trades are Interest Rate Swap Deal done with Interbank for Rs. 348.72 Crores (Previous year Rs. 1173.72 crores) and Financial Institution Rs. 23.72 Crores (Previous year Rs. 23.72 Crores). Credit Risk (Credit Exposure) for Current Year is Rs. 12.25 Crore and for previous year it is Rs. 22.72 Crore. There are total 14 deals out of which 2 deals are Back to Back Deals, 2 Deals where payment is made at Fixed Contract Rate and received at Floating rate and in remaining 10 deals, payment is made at Floating Rate and received at Fixed Contract Rate.

5b. Exchange Traded Interest Rate Derivatives

(₹ in Crore)

Sl. No.	Particulars	31.03.2017	31.03.2016

(i)	Notional Principal amount of exchange traded interest rate derivatives undertaken during the period April, 2016 to March, 2017 (instrument-wise) a) Interest rate futures	811.60	75.88
(ii)	Notional Principal amount of exchange traded interest rate derivatives outstanding as on 31st March, 2017 (instrument-wise)	NIL	NIL
(iii)	Notional Principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument-wise)	NIL	NIL
(iv)	Mark-to-Market value of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument-wise)	NIL	NIL

5c.Disclosure on risk exposure in derivatives

I - Qualitative Disclosure

1. Bank discusses their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion also include:

   a. The structure and organization for management of risk in derivative trading.
   b. The scope and nature of risk measurement, risk reporting and risk monitoring systems.
   c. Policies for hedging and/or mitigating risks and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants; and
   d. Accounting policy for recording hedge and non-hedge transactions are in place, which includes recognition of income, premiums and discounts. Valuation of outstanding contracts, provisioning, collateral and credit risk mitigation.

II - Quantitative Disclosure **(Amt. ₹ in Crore)**

Sl. No.	Particulars	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
		31.03.2017	**31.03.2017**	**31.03.2016**	**31.03.2016**
1	Derivatives (Notional Principal Amount)				
(a)	For Hedging	0.00	0.00	0.00	0.00
(b)	For trading	0.00	372.44	0.00	1197.44
2	Marked to Market Position				
	Hedging				
	a) Asset (+)	0.00	0.00	0.00	0.00
	b) Liability (-)	0.00	(-) 1.0878	0.00	(-) 0.1291
	Trading				
	a) Asset (+)				
	b) Liability (-)				

3	Credit Exposure	0.00	12.2459	0.00	22.7227
4	Likely impact of one percentage change in interest rate (100*PV01)				
(a)	On hedging derivatives	0.00	0.00	0.00	0.00
(b)	On trading derivatives	0.00	(-) 0.0543	0.00	(-) 0.0817
5	Maximum and Minimum of 100*PV01 observed during the period				
(a)	On hedging Maximum	0.00	0.00	0.00	0.00
	Minimum	0.00	0.00	0.00	0.00
(b)	On trading Maximum	0.00	(-) 0.01	0.00	0.01
	Minimum	0.00	(-) 0.00004	0.00	0.00

6. Asset Quality

6a Non-Performing Assets **(₹. in Crore)**

	Particulars	**31.03.2017**	**31.03.2016**
i)	Net NPAs to Net Advances (%)	7.81 %	8.61%
ii)	Movement of NPAs (Gross)		
	Opening balance	55818.33	25694.86
	Additions during the year	22414.58	42251.80
	Reductions during the year	22862.46	12128.33
	Closing balance	**55370.45**	**55818.33**
iii)	Movement of Net NPAs		
	Opening balance	35422.56	15396.50
	Additions during the year	16106.37	24553.78
	Reductions during the year	18826.83	4527.72
	Closing balance	**32702.10**	**35422.56**
iv)	Movement of provision for NPAs (excluding provisions on Standard assets)		
	Opening balance	19854.43	9801.76
	Provisions made during the year (Gross)	15881.23	18145.19
	Write-off/write back of excess provision	13692.17	8092.52
	Closing balance	**22043.49**	**19854.43**

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SURI & CO. Chennai Chartered Accountants
SPMG & COMPANY New Delhi Chartered Accountants

Disclosure 6b

Disclosure of Restructured Accounts (As on 31.03.2017) as per revised guidelines

(Rs. In Lacs)

Sl No	Type of Restructuring -> / Asset Classification -> / Details		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Stand-ard	Doubtful	Loss	Total	Standard	Sub-Stand-ard	Doubtful	Loss	Total	Standard	Sub-Stand-ard	Doubtful	Loss	Total	Standard	Sub-Stand-ard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY 2016-17(Opening figures)	No. of borrowers	41.00	26	16	1	64	119	9	2	0	130	139	16	3	0	158	299	51	21	1	372
		Amount outstanding	651952.54	538743.51	338535.15	8320.74	1537551.94	116139.91	7726.97	2710.84	0	128577.72	1244286.27	267566.46	19468.27	0	1531341.00	2014378.72	814056.84	360714.26	8320.74	3197470.66
		Provision thereon	107906.38	77375.75	36636.64	0.00	221916.77	16121.70	1886.25	476.00	0	18485.95	131652.41	16954.16	3008.21	0	151614.78	255680.49	96216.16	40122.85	0.00	392019.50
2	Fresh restructuring during the year (plus addition in o/s in existing a/cs)	No. of borrowers	0.00	0	0	0.00	0	1	10	1	0	12	4	15	2.00	0	21	5	25	3	0	33
		Amount outstanding	0.00	6033.66	0.00	0.00	8033.86	3538.42	4083.76	1549.46	0	9171.66	290910.96	11217.87	5625.03	0	307753.86	294449.38	23335.29	7174.51	0.00	324959.18
		Provision thereon	2616.85	0.00	0.00	0.00	2616.85	506.64	416.32	480.60	0	1403.56	33068.65	851.90	2238.19	0	36159.74	36192.14	1268.22	2719.79	0.00	40189.15
3	Upgradations to restructured standard category during the FY16-17	No. of borrowers	0	0	1	-1	0	4	-3	-1	0	0	6	-4	-2	0	0	10	-7	-2	-1	0
		Amount outstanding	0.00	0.00	8320.74	-8320.74	0	4859.06	-3614.01	-1245.05	0	0	118012.33	-99724.26	-19289.07	0	0.00	122871.39	-103338.27	-11212.38	-8320.74	0.00
		Provision thereon	0.00	0.00	0.00	0.00	0	812.25	-334.25	-476	0	0	10349.78	-7430.54	-2919.24	0	0.00	11162.03	-7764.79	-3397.24	0.00	0.00
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 16-17 and hence need not be shown restructured standard	No. of borrowers	2	0.00	0.00	0.00	2	38	0.00	0	0	38	69	0	0	0	69	109	0	0	0	109
		Amount outstanding	50604.37	0.00	0.00	0.00	50804.37	24709.27	0.00	0	9	24709.27	278333.64	0	0	0	278333.64	353847.28	0.00	9.00	0.00	353847.28
		Provision thereon	7903.55	0.00	0.00	0.00	7893.55	2248.49	0.00	0	0	2248.49	24313.27	0	0	0	24313.27	34365.31	0.00	0.00	9.00	34365.31
5	Downgradations of restructured accounts during the FY-16-17	No. of borrowers	14	3	-19	0	-2	35	-34	-2.00	0	-1	22	-19	-3	0	0	71	-50	-24	0	-3
		Amount outstanding	255873.17	67198.34	-329536.38	0	-6466.87	36043.60	-34534.09	-2166.20	0	-676.68	215030.09	-151335.97	-63694.12	0	0.00	506946.88	-118673.72	-395416.79	9.09	-7143.56
		Provision thereon	47518.50	-4561.85	-43038.46	0	-81.81	6469.72	-5718.35	-751.37	0	0	39017.95	-37324.14	-1693.71	0	0.00	93006.07	-47604.34	-45483.54	0.00	-81.81
6	Write-offs /Closure/recovery/exit of restructured accounts during the FY16-17	No. of borrowers	1	15	10	0	26	6	35	1	0	42	10	30	1	0	41	17	90	12	0	109
		Amount outstanding	51503.43	384671.03	144980.96	0	581055.44	5015.69	36875.06	379.78	0	42271.53	321152.99	316825.00	3439.26	0	641417.25	377873.11	738371.09	148700.02	0.00	1264744.22
		Provision thereon	2769.33	66404.92	26126.42	0	95299.67	312.86	6467.13	288.33	0	7068.34	22487.62	46464.57	279.06	0	69231.25	25569.83	119336.62	26693.81	0.00	171599.26
7	Restructured Acounts as on 31.03.2017 of the FY (closing figures)	No. of borrowers	24.00	8.00	26.00	0.00	58.00	45.00	15.00	3.00	0.00	63	46	16	5	0	69	117	39	34	0	190
		Amount outstanding	293771.57	94909.80	531511.29	0.00	920192.56	60767.83	5855.75	4821.69	0.00	71445.27	838692.64	13591.04	67060.09	0	919343.97	1193232.24	114356.59	603393.07	0.09	1910981.90
		Provision thereon	52432.85	15532.68	53548.68	0.00	121514.21	6409.50	1219.54	943.64	0.00	10572.68	89252.10	1235.09	3742.81	0	94230.00	150094.45	17987.31	58235.13	0.00	228316.89

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S P M G & COMPANY New Delhi 509249 C Chartered Accountants

6c.

6c (i). Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on 31.03.2017

(Amount in INR Crore)

	No. of accounts where S4A has been applied	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	03	392.78	349.58	147.66
Classified as NPA	0	0.00	0.00	.0.00
TOTAL	**03**	**392.78**	**349.58**	**147.66**

6c (ii) . Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

(Amount in INR Crore)

No. of accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has been taken place	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
17	3647.05	839.24	1017.91	0.00	2629.14	839.24

6c (iii). Disclosures on Change in ownership outside Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

(Amount in INR Crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date	Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending	Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares has taken place	Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity

	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

6c (iv). Disclosures on application of Flexible Structuring to Existing Loans as on 31.03.2017.

(Amount in INR Crore)

Period	No. of borrowers taken up for flexibly structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
Previous Financial Year	15	4011.71	2983.39	8.28	18.52
Current Financial Year (From April 2016 to March 2017)	10	2333.59	0.00	9.56	18.80

6c (v). Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)

(Amount in INR Crore)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		
	Classified as Standard	Classified as Standard restructured	Classified as NPA
01	0.00	32.41	0.00

6 c (vi) Divergence in Asset Classification and Provisioning for NPAs – (ref DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017)

(Rs. in Crores)

Sr.	Particulars	Amount
1.	Gross NPAs as on March 31, 2016 as reported by the Bank	55818.33

2.	Gross NPAs as on March 31, 2016 as assessed by RBI	55955.86
3.	Divergence in Gross NPAs (2-1)	137.53
4.	Net NPAs as on March 31, 2016 as reported by the Bank	35422.56
5.	Net NPAs as on March 31, 2016 as assessed by RBI	34799.53
6.	Divergence in Net NPAs (5-4)	-623.03
7.	Provisions for NPAs as on March 31, 2016 as reported by the Bank	19854.43
8.	Provisions for NPAs as on March 31, 2016 as assessed by RBI	20614.99
9.	Divergence in Provisioning (8-7)	760.56
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2016	-3974.39
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2016 after taking into account the divergence in provisioning	-4734.95

6d. Details of financial assets sold to Securitisation / Reconstruction Company (SC/RC) for Asset Reconstruction.

A. Details of Sales.

(₹.in Crore)

	Particulars	31.03.2017	31.03.2016
1.	No. of Accounts	23	15
2.	Aggregate value (net of provisions) of accounts sold to SC/RC	631.03	734.06
3.	Aggregate consideration	1336.21	1180.11
4.	Additional consideration realized in respect of accounts transferred in earlier years (During current financial year 2016-17 i.e. from 01.04.2016 to 31.03.2017)	1.24	-14.94
5.	Aggregate gain/loss over net book value(3-2)	705.17	446.05
5.1	Loss over NBV (where sale is for value below NBV)	-52.31	52.28
5.2	Gain over NBV (where sale is for value above NBV)	757.48	498.33

B. Details of Book Value of Investments in Security Receipts.

(₹.in Crore)

Particulars	31.03.2017	31.03.2016
(i) Backed by NPAs sold by the bank as underlying	**1829.99**	**891.71**
(ii) Backed by NPAs sold by other banks / financial institution / non banking financial companies as underlying	**NIL**	**NIL**

6e. Details of non-performing financial assets purchased/sold from / to other banks.

A. Details of non-performing financial assets purchased:

(₹ in Crore)

	Particulars	31.03.2017	31.03.2016
1	(a) No. of accounts purchased during the period	NIL	NIL
	(b) Aggregate outstanding	NIL	NIL
2	(a) Of these, number of accounts restructured during the period i.e. 01.04.2016 to 31.03.2017	NIL	NIL
	(b) Aggregate outstanding	NIL	NIL

B. Details of non-performing financial assets sold :

(₹ in Crore)

	Particulars	31.03.2017	31.03.2016
1	No. of accounts sold during the period	Nil	NIL
2	Aggregate outstanding	Nil	NIL
3	Aggregate consideration received	Nil	NIL

6f. Provisions on Standard Assets

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Cumulative Balance (included under "Other Liabilities & Provisions" in Schedule 5 to the balance sheet)	3354.88	2916.00

7. Business Ratios

	Particulars	31.03.2017	31.03.2016
i.	Interest Income as a percentage to Working Funds	6.74 %	7.28%
ii.	Non-Interest Income as a percentage to Working Funds	1.28 %	1.06%
iii.	Operating profit as a percentage to Working Funds	2.08 %	1.88%
iv.	Return on Assets	0.19 %	-0.61%
v.	Business (Deposits plus advances) per employee (₹ in Crores)	14.17	13.59
vi.	Profit per employee ((₹ in Crores)	0.02	-0.06

Note: Working Funds are based on Monthly Average.

8. Asset Liability Management
Maturity Pattern of certain item of Assets and Liabilities

(₹in Crore)

Maturity Pattern	Deposits	Advances	Investments (gross)	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Next day	8195.41	10899.88	0.00	334.30	2048.11	993.36
	(6338.65)	(9444.69)	(0.63)	(107134.19)	(4280.08)	(1330.49)
2 days-7days	12842.71	9035.95	0.00	2.31	2365.13	3633.04
	(10566.90)	(9303.56)	(1213.89)	(-88328.15)	(2845.08)	(2162.45)
8-14 days	8397.84	5928.24	99.99	0.18	1811.49	543.95
	(9992.80)	(6683.39)	(552.82)	(1164.87)	(7520.57)	(1801.37)
15-30 days	12164.72	15988.52	746.60	1751.70	6774.67	6610.50
	(13111.28)	(9226.02)	(1487.19)	(1757.29)	(6284.93)	(7330.92)
31 days to 2 months	27378.67	6562.41	879.32	4417.89	13169.13	18702.33
	(17818.88)	(50079.63)	(3711.01)	(6656.77)	(17372.55)	(14484.89)
Over 2 to 3 months	16254.47	11618.37	4021.48	4530.92	11571.29	10471.17
	(21170.40)	*	*	*	*	*
Over 3 Months to 6 months	44697.90	8651.13	4108.48	6206.96	19942.88	24272.67
	(39636.15)	(28361.20)	(3128.55)	(3713.24)	(12314.55)	(13523.64)
Over 6 Months to 1 year	53686.66	32215.26	4332.76	1664.03	18117.09	11395.93
	(51101.10)	(32667.44)	(3815.42)	(6732.89)	(19631.32)	(19413.36)
Over 1 Year to 3 Years	254178.25	210659.85	26255.47	1843.60	3785.31	4038.83
	(217458.26)	(189721.13)	(22221.51)	(2229.83)	(4412.47)	(1657.72)
Over 3 Years to 5 Years	7531.90	38439.68	21742.06	330.18	4045.58	2552.80
	(6835.16)	(28443.96)	(21657.39)	(761.67)	(2865.81)	(1933.20)
Over 5 Years	176375.49	69493.86	125951.89	19681.26	1662.32	2078.42
	(159021.55)	(48394.78)	(101018.11)	(17932.64)	(363.46)	(2127.81)
Total	621704.02	419493.15	188138.05	40763.33	85293.00	85293.00
	(553051.13)	(412325.80)	(158806.53)	(59755.24)	(77890.82)	(65765.85)

(Figures in brackets relate to previous year).
*In previous, these figures were included under the bucket 29 days to 3 months.

9. Exposures:

9a. Exposure to Real Estate Sector :

(₹ in Crore)

	Category	31.03.2017	31.03.2016
(A)	**Direct Exposure**		
i.	Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (individual housing loans up to ₹.20 lakh - ₹ 17171.30 crore as on 31.03.2017 and individual housing loans up to ₹.20 lakh- ₹ 15825.28 crore as 31.03.2016).	46939.77	40794.03
ii.	Commercial Real Estate – including NFB Limits Lending secured by mortgages on Commercial Real Estates (office buildings, retail space, multi-purpose commercial premises, industrial or warehouse space, land acquisition, development and construction etc.)	11804.01	13916.00
iii.	Investments in Mortgaged Backed Securities (MBS) and other securitized exposures -		
(a)	- Residential	0.00	0.00
(b)	- Commercial Real Estate	0.00	0.00
(B)	**Indirect Exposure**		
	• FB & NFB Exposure to National Housing Bank (NHB) & Housing Finance Companies (HFCs) **31.03.2017**: ₹ 9245.41 Crore; **31.03.2016**: ₹ 8970.85 Crores • Investments made by the Bank in Housing Companies & Corporations. **31.03.2017**: ₹ 5046.27 Crore; **31.03.2016**: ₹ 6314.94 Crores	14291.68	15285.79
	Total Exposure to Real Estate Sector	**73035.46**	**69995.82**

9b. Exposure to Capital Market

(₹ in Crore)

	Particulars	31.03.2017	31.03.2016
1.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	3972.11	4149.68
2.	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs) convertible bonds, convertible debentures, and units of equity oriented mutual funds.	2.40	3.60

3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	369.01	396.67
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances.	450.19	1016.97
5.	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers.	355.95	459.61
6.	Loans sanctioned to corporate against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	NIL	NIL
7.	Bridge loans to companies against expected equity flows/issues.	NIL	NIL
8.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	NIL	NIL
9.	Financing to stock brokers for margin trading	NIL	NIL
10.	All exposures to Venture Capital funds (both registered and unregistered)	263.91	331.22
11.	Advances to Mutual Funds	4250.66	2451.35
	Total Exposure to Capital Market	**9664.23**	**8809.10**

9c.Risk Category wise Country Exposure

Total Net Funded Exposure as on 31.03.2017 is ₹. 45931.04 Crores. Total assets of the bank as on 31.12.2016 were ₹ 713975.31 Crores, 1% of which is ₹. 7139.75 Crore. Total net funded exposure of two countries namely Hong Kong & UAE amounting to ₹ 9325.40 Crore & ₹ 8900.38 Crore respectively, is more than 1% of the total assets of the Bank as on 31.12.2016. Total net funded exposure of the bank on Hong Kong & UAE is more than 1% of total assets as on 31.03.2017 also. Hence provision of ₹. 12.15 Crore for Hong Kong and ₹ 13.23 Crore for UAE has been made in terms of RBI guidelines. As per Export Credit Guarantee Corporation of India(ECGC) classification, Hong Kong is in the Insignificant Risk Category i.e. A1 and UAE is in the Low Risk Category i.e. A2.

Risk Category Wise Country Exposure ®

(₹ in Crore)

Risk Category	Exposure (net) as at March 2017 (Current Year)	Provision held as at March 2017 (Current Year)	Exposure (net) as at March 2016 (Previous Year)	Provision held as at March 2016 (Previous Year)
Insignificant	24762.17	12.15	39590.96	23.03
Low	20781.74	13.23	22624.39	17.79
Moderately Low	287.42	0	540.03	0
Moderate	99.29	0	0.16	0
Moderately High	0	0	0.40	0
High	0.42	0	0.91	0
Very high	0	0	0.00	0
Total	**45931.04**	**25.38**	**62756.85**	**40.82**

® As certified by The Management.

9d. Bank's Disclosure in respect of Credit Exposures where the same had exceeded the Prudential Exposure limits prescribed by RBI for Individual/Group Borrowers during 01.04.2016 to 31.03.2017.

"The Bank has not exceeded prudential exposure ceilings in respect of any Group Accounts and Individual Borrowers during the period 01.04.2016 to 31.03.2017."

9e. Unsecured Advances:

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Unsecured Advance	47860.91	29074.49
1. Total amount of advances for which intangible securities such as charge over the rights, licenses, authority etc. has been included in Sch.9 under 'Unsecured Advances'	7599.50	6461.12
2. Estimated value of intangible collaterals	8425.15	9207.46

10. Disclosure of penalties imposed by the RBI:

A. During the period 01.04.2016 to 31.03.2017, Reserve Bank of India (RBI) has imposed an aggregate penalty of Rs. 30 million (Rs. Thirty Million only) on the bank in exercise of powers conferred under Section 47 (A) (1) (c) read with Section 46(4) (i) of the Banking Regulation Act 1949.

The Bank has taken necessary preventive measures/comprehensive action plan to avoid its recurrence.
(The above data is as certified by the Management)

B. The following SGL securities were bounced during the period ended 31.03.2017 (w.e.f. 01.04.2016 to 31.03.2017).

PARTICULARS	AMOUNT
8.07 GOI 2017 (ISIN : IN0020010107) DATED 30.05.2016	Rs. 355.00 Crore*
8.62 MH SDL 2023 (ISIN: IN2220120108) Dated 09.03.2017	Rs. 10.00 Crore**

*Bouncing due to shortage in Principal A/c of RBI E-Kuber. However, Rs. 1,800.00 Crore of Security was available with the Bank in other folder of RBI E-Kuber maintained with RBI.

** Similar nomenclature of two different securities has caused this error. Balance in Security 8.62 MH SDL 2023 (ISIN: IN2220120116) was available but the deal was done for 8.62 MH SDL 2023 (ISIN: IN2220120108). **RBI had imposed a Penalty of Rs. 1.00 Lacs for bouncing of this SGL dated 09.03.2017 for which RBI has debited our Account on 12.05.2017 and said Penalty on SGL bouncing stands paid.**

Other Disclosures required by Accounting Standards

11. AS -5 Prior Period and Change in Accounting Policy

There were no material prior period income/expenditure items requiring disclosure under AS–5.

12. AS- 6 Depreciation accounting

Break up of total depreciation for the year ended March, 2017 for each class of assets

(₹ in Crore)

Class of assets	**31.03.2017**	**31.03.2016**
Premises	10.89	14.38
Other fixed assets	378.63	345.93
Leased assets	0.00	NIL
Computer software	35.51	35.42
Total	**425.03**	**395.73**

13. AS- 9 Revenue Recognition:

Certain items of income are recognized on realization basis as per Accounting Policy No. 3(5). However, the said income is not considered to be material.

14. AS 11- Changes in foreign exchange rates:

Movement of foreign currency translation reserve

(₹ in Crore)

Particulars	Amount (2016-17)	Amount (2015-16)
Opening balance	64.21	54.23
Credited during the year 01.04.2016 to 31.03.2017	30.03	10.47
Withdrawn during the year 01.04.2016 to 31.03.2017	2.08	0.49
Closing Balance	92.16	64.21

15. AS 15 – Employees Benefits:

DISCLOSURE IN ACCORDANCE WITH AS-15(R):

In line with the accounting policy and as per the Accounting Standard – 15(R), the summarized position of employment benefits is as under:

A. Defined benefit Plans

TABLE I - Principal Acturial Assumptions and the basis of these assumptions

Acturial Assumptions	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Discount Rate	8.05%	8.17%	7.37%	8.17%	7.37%	8.17%
Expected Return on Plan Assets	8.61%	8.61%	8.61%	8.61%	0.00%	0.00%
Rate of Escalation In salary	6.00%	5.75%	6.00%	5.75%	6.00%	5.75%
Attrition Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

TABLE II - Changes in Present value of the obligation

(ALL AMOUNTS IN CRORES)

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Present value of Obligation at the beginning of period	20179.68	18217.4	2615.94	2419.83	1401.53	1308.47
Interest Cost	1598.26	1415.01	198.79	177.78	103.15	95.43
Current Service Cost	540.15	476.83	209.55	197.68	46.89	44.48
Benefits paid	(1234.20)	(1191.77)	(365.60)	(395.24)	(278.00)	(231.22)
Acturial loss / (gain) on obligations (Balancing Figure)	1775.92	1262.22	271.39	215.89	203.95	184.36

Present value of Obligation	22859.81	20179.68	2930.07	2615.94	1477.52	1401.53

TABLE III - Changes in the FV of the Plan Assets

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
FAIR value of Plan Assets, at the beginning of period	20841.72	17373.01	2666.75	2836.40	-	-
Expected return on Plan assets	1799.35	1579.43	227.48	227.20	-	-
Contributions by Bank, employees	1347.46	3134.8	316.21	0.00	278	231.22
Benefits Paid	(1234.20)	(1191.77)	-365.6	(395.24)	(278.00)	(231.22)
Acturial (loss) / gain on Plan Assets(Balancing Figure)	1906.32	(53.78)	310.99	(1.61)	-	-
FAIR value of Plan Assets, 31.03.2015	24660.65	20841.72	3155.83	2666.75	-	-

TABLE IV - Actual Return on Plan Assets

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Expected return on Plan Assets	1799.35	1579.46	227.48	227.2	-	-
Acturial (loss) / gain on Plan Assets	1906.32	(53.78)	310.99	(1.61)	-	-
Actual Return on Plan Assets	3705.67	1525.68	538.47	225.59	-	-

TABLE V - Net Acturial (Gain) / loss Recognized

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Acturial gain / (loss) for the period - Obligations	(1775.92)	(1262.22)	(271.39)	(215.89)	(203.95)	(184.36)
Acturial gain / (loss) for the period - Plan Assets	1906.32	(53.78)	310.99	(1.61)	0	0

Total (Gain) / Loss for he period	(130.40)	1316.00	(39.60)	217.49	203.95	184.36
Acturial (gain) or loss recognised in the period	(130.40)	1316.00	(39.60)	217.49	203.95	184.36
Unrecognised Acturial (gain) / loss at the end of the year	0	0.00	0.00	0.00	0.00	0.00

TABLE VI - Amount recognised in Balance Sheet

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Present value of Obligation	22859.81	20179.68	2930.07	2615.94	1477.52	1401.53
FAIR value of Plan Assets,	24660.65	20841.72	3155.83	2666.75	0	0
Difference	(1800.84)	(662.04)	(225.76)	(50.81)	1477.52	1401.53
Unrecognised Transitional Liabilty	0	0	0	0	0	0
Unrecognised Past Service cost - vested benefits - Carried Forward	0	0	0	0	0	0
Liability Recognised in the Balance Sheet	0	0	0	0	1477.52	1401.53
Negative amount determined under under Paragraph 55 of AS-15 (R)	(1800.84)	(662.04)	(225.76)	(50.81)	0.00	0.00
Present value of available refunds and reductions in future contributions	1800.84	662.04	225.76	50.81	0.00	0.00
Resulting asset as per Paragraph 59 (b) of AS-15 (R)	1800.84	662.04	225.76	50.81	0.00	0.00

TABLE VII - Expense to be recognised in Profit and loss statement

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Current Service Cost	540.15	476.83	209.55	197.68	46.89	44.48
Interest cost	1598.26	1415.01	198.79	177.78	103.15	95.43

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R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEMSANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

Chennai 004283 S Chartered Accountants

SPMG & COMPANY New Delhi 509249C Chartered Accountants

Expected return on Plan assets	(1799.35)	(1579.46)	(227.48)	(227.20)	0	0
Net Acturial (gain) / loss recognised in year	(130.40)	1316.00	(39.60)	217.49	203.95	184.36
Past Service Cost-Recognised	0	0	0.00	0.00	0	0
Expenses recognised in the statement of profit and loss	208.67	1628.37	141.26	365.76	353.99	324.27

TABLE VIII- Movement in Net Liability to be recognised in Balance Sheet

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Opening Net Liability	(662.04)	844.39	(50.81)	(416.57)	1401.53	1308.47
EXPENSE	208.67	1628.37	141.26	365.76	353.99	324.27
CONTRIBUTIONS PAID	(1347.46)	(3134.80)	(316.21)	0.00	(278.00)	(231.22)
Closing Net Liability (Liability recognised in B/S in current period)	(1800.84)	(662.04)	(225.76)	(50.81)	1477.52	1401.53

TABLE IX -Amount for the current Period

	PENSION	
	31.03.2017	31.03.2016
Present value of Obligation	22859.81	20179.68
FAIR value of Plan Assets	24660.65	20841.72
Surplus / (Deficit) before unrecognised past service cost	1800.84	662.04
Experience Adjustments in Plan Liabilities - (loss) / Gain	313.46	(1476.60)

Experience Adjustments in Plan Assets (loss) / gain	1906.32	(53.78)

	GRATUITY	
	31.03.2017	31.03.2016
Present value of Obligation	2930.07	2615.94
FAIR value of Plan Assets	3155.83	2666.75
Surplus / (Deficit) before unrecognised past service cost	225.76	50.81
Experience Adjustments in Plan Liabilities - (loss) / Gain	(92.29)	(218.33)
Experience Adjustments in Plan Assets (loss) / gain	310.99	(1.61)

	LEAVE ENCASHMENT	
	31.03.2017	31.03.2016
Present value of Obligation	1477.52	1401.53
FAIR value of Plan Assets	0	0
Surplus / (Deficit) before unrecognised past service cost	(1477.52)	(1401.53)
Experience Adjustments in Plan Liabilities - (loss) / Gain	(105.98)	(250.27)
Experience Adjustments in Plan Assets (loss) / gain	0	0

TABLE X -Major Categories of Plan Assets (as percentage of Total Plan Assets)

(In Percentage)

	PENSION	GRATUITY

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S P M G & COMPANY New Delhi 509249 C Chartered Accountants

	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Government Of India Securites	8.85	10.00	13.54	16.00
State Govt Securities	31.90	35.00	32.13	35.00
High Quality Corporate Bonds	13.82	17.00	14.05	18.00
Equity Shares of listed companies	0.00	1.00	0.00	0.00
Property	0.00	0.00	0.00	0.00
Special deposit scheme	0.00	6.00	0.00	8.00
Funds managed by Insurer	32.68	18.00	14.86	6.00
Other- Bank Deposits and CDs	13.00	13.00	25.42	17.00
TOTAL	100.00	100.00	100.00	100.00

TABLE XI -ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR

	Pension (Funded)		Gratuity (Funded)	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Bank's best estimate of Contibution during next year	1300.00	2000.00	200.00	500.00

TABLE XII- Other Long Term employee benefits (Unfunded)

Particulars	Sick Leave & Casual leave (Unfunded)		Leave Fare concession (unfunded)		Silver Jubiliee Bonus (unfunded)	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Present Value of Obligation	64.65	60.86	138.55	108.32	12.83	12.05
Opening Balance of Transitional Liability	0	0	0	0	0	0
Transitional Liability recogized in the year	0	0	0	0	0	0
Closing Balance Of Transitional Liability	0	0	0	0	0	0

Liabity Recognized in balance Sheet	64.65	60.86	138.55	108.32	12.83	12.05

Particulars	Basis of assumption
Discount rate	Discount rate has been determined by reference to market yields on the balar sheet date on Government Bonds of term consistent with estimated term of obligations as per para 78 of AS15R.
Expected rate of return on plan assets	The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation.
Rate of escalation in salary	The estimates of future salary increases considered in actuarial valuations taking into account inflation, seniority, promotion and other relevant factors mentioned in paras 83-91 of AS15R.
Attrition rate	Attrition rate has been determined by reference to past and expected future experience and includes all types of withdrawals other than death but including those due to disability.

B. Defined Contribution Plans
The Bank has Defined Contribution Plan applicable to all categories of employees joining the Bank on or after 01.04.2010. The scheme is managed by NPS trust under the aegis of the pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During the FY 2016-17, the Bank has contributed Rs 113.16 crores (Previous year Rs 87.17 cr)

C. Changes in Fair Valuation of Plan Assets
In accordance with AS-15 issued by ICAI, during the year while considering the fair value of plan assets relating to pension and gratuity fund being long term benefits of employees, interest accrued on investments has also been taken into account as against principal amount in earlier years. Consequent to this, employer contribution to pension and gratuity funds representing excess of fair value of plan assets over present value of obligation amounting to Rs.2026.60 crores has been credited to "Payments to and Provisions for Employees- Employee Cost " during the year. Figures of previous year are not comparable to that extent.

16. Segment reporting for the period ended 31st March 2017

(₹ in Lacs)

PART A: BUSINESS SEGMENTS				
Sl. No.	Particulars		YEAR ENDED	YEAR ENDED
			31.03.2017 (Audited)	31.03.2016 (Audited)
i.	**Segment Revenue**			
	a)	Treasury	1694593	1463544
	b)	Corporate/Wholesale Banking	2304307	2255846
	c)	Retail Banking	1511675	1535575

	d)	Other Banking Operations	112161	87475
	Total		**5622736**	**5342440**
ii.	**Segment Results**			
	a)	Treasury	469076	302337
	b)	Corporate/Wholesale Banking	-519704	-1137962
	c)	Retail Banking	357733	411850
	d)	Other Banking Operations	30577	23334
	Total		**337682**	**-400441**
iii.	Unallocated Expenses		136528	173347
iv.	Operating Profit		1456516	1221635
v.	Provision for Tax		68674	-176349
vi.	Extraordinary Items		NIL	NIL
vii.	Net Profit		**132480**	**-397439**
Other Information:				
viii.	**Segment Assets**			
	a)	Treasury	21272894	16317272
	b)	Corporate/Wholesale Banking	32431692	33465504
	c)	Retail Banking	15234994	13390791
	d)	Other Banking Operations	1933664	2575905
	Sub Total		**70873244**	**65749472**
	e)	Unallocated Assets	1159811	989573
	Total Assets		**72033055**	**66739045**
ix.	**Segment Liabilities**			
	a)	Treasury	20364682	15612102
	b)	Corporate/Wholesale Banking	31047074	32019253
	c)	Retail Banking	14584561	12812092
	d)	Other Banking Operations	1851109	2464584
	Sub Total		**67847426**	**62908031**
	e)	Unallocated Liabilities	931	0
	Total Liabilities		**67848357**	**62908031**

Part B – GEOGRAPHIC SEGMENTS

Sl. No	**Particulars**		**YEAR ENDED 31.03.2017 (Audited)**	**YEAR ENDED 31.03.2016 (Audited)**
1.	**Revenue**			
	a)	Domestic	5464487	5201209
	b)	International	158249	141231
	Total		**5622736**	**5342440**
2.	**Assets**			
	a)	Domestic	63503755	57232861
	b)	International	8529300	9506184
	Total		**72033055**	**66739045**

Note:
1. Segment Liabilities are distributed in the ratio of their respective Segment Assets.
2. Figures of the previous period have been re-grouped /re-classified wherever necessary to make them comparable.

17. Disclosure of Related Parties as per AS –18 issued by ICAI
Names of the related parties and their relationship with the Bank:

Key Management Personnel:

i) Mrs. Usha Ananthasubramanian, Managing Director & CEO
ii) Shri K.V.Brahmaji Rao, Executive Director.
iii) Dr .Ram S.Sangapure, Executive Director.
iv) Shri Sanjiv Sharan, Executive Director (w.e.f. 15.09.2016)

Subsidiaries:

i) PNB Gilts Ltd.
ii) Punjab National Bank (International) Ltd., UK
iii) PNB Investment Services Ltd.
iv) Druk PNB Bank Ltd, Bhutan.
v) PNB Insurance Broking Pvt Ltd*.

Associates:

i) Principal PNB Asset Management Company Pvt. Ltd.
ii) Principal Trustee Company Private Limited
iii) PNB Metlife India Insurance Company Ltd.
iv) PNB Housing Finance Ltd.
v) JSC (Tengri Bank) Almaty Kazakhstan
vi) Madhya Bihar Gramin Bank, Patna.
vii) Sarva Haryana Gramin Bank, Rohtak
viii) Himachal Pradesh Gramin Bank, Mandi
ix) Punjab Gramin Bank, Kapurthala
x) Sarva UP Gramin Bank, Meerut.

*Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

Joint Venture:

i) Everest Bank Limited, Kathmandu Nepal

Transactions with Related Parties*

(₹ in Lacs)

Items/ Related Party	Parent** (as per ownership or control)		Subsidiaries**		Associates/ Joint ventures		Key Management Personnel		Relatives of Key Management Personnel		Total	
	2016-17	Maximum amount outstanding	2016-17	Maximum amount outstanding	2016-17	Maximum amount outstanding	2016-17	Maximum amount outstanding	2016-17	Maximum amount outstanding	2016-17	Maximum amount outstanding
Remuneration	N.A	N.A	N.A	N.A	-	-	115.42	NA	NA	NA	115.42	NA
	N.A	N.A	N.A	N.A	--	--	(102.29)	NA	NA	NA	(102.29)	NA
Borrowings	N.A	N.A	N.A	N.A	--	--	-	-	-	-	-	-
Deposits	N.A	N.A	N.A	N.A	117304.25	-	43.11	154.23	0.42	0.42	117347.78	154.65
	N.A	N.A	N.A	N.A	(498288.69)	--	(44.20)	(50.16)	(41.07)	(41.07)	(498373.96)	(91.23)
Placement of Deposits	N.A	N.A	N.A	N.A	-	-	-	-	-	-	-	-
	N.A	N.A	N.A	N.A	-	-	-	-	-	-	-	-
Advances	N.A	N.A	N.A	N.A	-	-	116.41	117.21	-	-	116.41	117.21
	N.A	N.A	N.A	N.A	(150000.00)	-	-	-	(179.10)	(179.10)	(150179.10)	(179.10)
Investments in share capital	N.A	N.A	N.A	N.A	99613.74	-	-	-	-	-	99613.74	-
	N.A	N.A	N.A	N.A	(46368.21)	-	-	-	-	-	(46368.21)	-
Investments in debentures	N.A	N.A	N.A	N.A	-	-	-	-	-	-	-	
	N.A	N.A	N.A	N.A	-	-	-	-	-	-	-	-
Non funded Commitments	N.A	N.A	N.A	N.A	--	--	--	--	--	--	--	--
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements provided	--	--	--	--	--	--	--	--	--	--	--	--
Purchase	--	--	--	--	--	--	--	--	--	--	--	--

of fixed assets												
Sale of Fixed Assets	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Interest paid	N.A	N.A	N.A	N.A	19471.63	-	-	-	-	-	19471.63	-
	N.A	N.A	N.A	N.A	(67531.70)	--	--	--	--	--	(67531.70)	
Interest received	N.A	N.A	N.A	N.A	-	-						
	N.A	N.A	N.A	N.A	--	--	--	--	--	--	--	--
Receiving of Services	N.A	N.A	N.A	N.A	-	-						
	N.A	N.A	N.A	N.A	--	--	--	--	--	--	--	--
Rendering of Services	N.A	N.A	N.A	N.A	-	-						
	N.A	N.A	N.A	N.A	--	--	--	--	--	--	--	--
Management contracts	N.A	N.A	N.A	N.A	-	-						
	N.A	N.A	N.A	N.A	--	--	--	--	--	--	--	--
Dividend received	N.A	N.A	N.A	N.A	-	-					-	--
	N.A	N.A	N.A	N.A	--	--	--	--	--	--	--	-
Bank Charges					--	--	--	--	--	--	--	--
Commission Received					--	--	--	--	--	--	--	--

(Figures in brackets relate to previous year)

**The transactions with the subsidiaries and certain associates have not been disclosed in view of para-9 of AS-18 'Related Party Disclosure', which exempts state controlled enterprises from making any disclosures pertaining to their transactions with other related parties, which are also state controlled.

18. Accounting for Leases – AS 19

Financial Leases:

a. Original value of assets acquired on financial lease and included in other fixed assets (including furniture and fixture):	₹ 41.65 lacs
The amount of depreciation provided upto 31.03.2017 thereon	₹ 41.65 lacs
The written down value as on 31.03.2017	₹ 1
b. Minimum Lease Payment due not later than one year	₹ 1
c. Minimum Lease Payment due more than one year but not later than five years	NIL
d. Minimum Lease Payment due later than five years	NIL
e. Operating leases	Not Ascertained

(The above data is as certified by the Management)

19. AS 20 - Earnings Per Share

Sl.No	Particulars	31.03.2017	31.03.2016
A	EPS - Basic / Diluted (in ₹) (Non Annualized)	6.45	-20.82
B	Amount used as numerator Profit/ (Loss) after tax (₹ in '000)	13248018	(-39743960)
C	Nominal value of share	₹2/- each	₹2/- each
D	Weighted average number of equity shares used as the denominator	2053213333.38	1909375143

20. AS 22- Accounting for taxes on Income

The Bank has recognized deferred tax assets and liability as per accounting policy no. 7. Major components of which are set out below:

(₹ in Crores)

Particulars	As on 31.03.2017	As on 31.03.2016
Deferred Tax Assets		
Provision for Leave encashment	557.86	519.52
Provision for Pension & Gratuity	0.00	NIL
Statutory Liability u/s 43B	0.00	0.56
Provision for bad & doubtful debts	6035.66	4500.35
Total	**6593.52**	**5020.43**
Deferred Tax Liabilities		
Depreciation on fixed assets	-7.24	-7.54
Deduction u/s 36(1)(viii) of Income Tax Act 1961	499.73	410.50
Total	**492.49**	**402.96**
Deferred Tax Assets (Net)	**6101.03**	**4617.47**

The deferred tax assets ₹ 1483.56 crore for FY 2016-17 (P.Y 3132.63 crore) is credited to Profit and Loss Account.

21. AS 23- Accounting for Investments in Associates in Consolidated financial Statements

Since Investments of the bank in its Associates are participative in nature and the Bank having the power to exercise significant influence on their activities, such Investments are recognized in the Consolidated Financial Statements of the Bank.

22. AS 24 - Discontinuing Operations

During the period from 01.04.2016 to 31.03.2017, the bank has not discontinued operations of any of its branches, which resulted in shedding of liability and realization of the assets and no decision has been finalized to discontinue an operation in its entirety which will have the above effect.

23. **AS 28 – Impairment of Assets**

A substantial portion of the bank's assets comprise of 'financial assets' to which Accounting Standard 28 'Impairment of Assets' is NOT applicable. In the opinion of the bank, there is no impairment of its assets (to which the standard applies) to any material extent as at 31.03.2017 requiring recognition in terms of the said standard.

24. AS-29 Provisions, Contingent Liabilities and Contingent Assets

i) Movement of provisions for liabilities*

(₹ in Crore)

Particulars	Salary arrears	Legal cases/ contingencies
Balance as at 1st April 2016	8.34 (1294.00)	19.89 (18.05)
Provided during the period	0.00 (145.00)	5.52 (4.65)
Amounts used during the period	1.24 (1430.66)	0.00 (1.51)
Reversed during the period	0.00 (0.00)	1.05 (1.30)
Balance as at 31.03.2017	7.10 (8.34)	24.36 (19.89)
Timing of outflow/uncertainties		

*Excluding provisions for others
Figures in brackets relate to previous year.

ii) Refer Schedule-12 on contingent liabilities
Such liabilities at S.No.(I), (II), (III), (IV), (V) & (VI) are dependent upon the outcome of Court / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, respectively.

25. Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account is as follows:

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Provisions for depreciation on investment (net)	486.65	345.49
Provision towards NPAs (net)	12703.72	18469.15
Provision towards Standard Assets	441.60	120.46
Provision made towards Income Tax (including Fringe Benefit Tax & Wealth Tax)	686.74	-1763.49
Other Provision and Contingencies: **Detail:** **31.03.2017** **31.03.2016** Standard Restructured -1683.38 -1491.17	-1078.35	-980.87

Sale to SC/RC	0.00	NIL		
Written off & others	-44.49	136.22		
Sale to Arcil	611.00	387.98		
Restructured CDR-FITL	38.52	-13.90		
Total			**13240.36**	**16190.74**

26. Break-up of Floating Provisions is as follows:

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Opening balance	360.25	360.25
Quantum of floating provisions made during the year	NIL	NIL
Purpose and amount of draw down made during the year	NIL	NIL
Closing balance	360.25	360.25

27. Draw Down from Reserves:

(₹ in Lacs)

Sr. No.	Reserves	Amount drawn	Purpose
1	Other Reserves (Blocked Account)	NIL	No claim has been received during the period ended March 2017 (01-04-2016 to 31.03.2017) against Inter Branch Credit entries, Blocked and transferred to General Ledger .
2	Revaluation reserves	5849.41	Depreciation on revalued portion of property.

28. Disclosure of complaints and unimplemented awards of Banking Ombudsman including customer complaints pertaining to ATM.

a. Customer Complaints

	Particulars	31.03.2017	31.03.2016
(a)	No. of complaints pending at the beginning of the year	10239	18454
(b)	No. of complaints received during the year	628158	444193
(c)	No. of complaints redressed during the year	622833	452408
(d)	No. of complaints pending at the end of year	15564*	10239

b. Awards passed by the Banking Ombudsman

	Particulars	31.03.2017	31.03.2016
(a)	No. of unimplemented Awards at the beginning of the year	0	5
(b)	No. of Awards passed by the Banking Ombudsman during the year	2**	203
(c)	No. of Awards implemented during the year	0	208
(d)	No. of unimplemented Awards at the end of year	2**	0

* Out of 15564 complaints, 315 complaints other than ATM stands resolved as on date.
** Appeal filed in both the cases
The awards passed by the BO as stated above are those where appeals have been filed, the consolidation of data received from various offices regarding of status of awards filed is in progress.

The Bank is in the process of implementing centralized controls to ensure that data of complaints and awards is generated automatically for reporting.

29. The Bank has issued a Letter of Comfort to Prudential Regulation Authority (PRA), the regulator in United Kingdom, committing that the bank shall provide financial support to its subsidiary, Punjab National Bank (International) Ltd., UK so that it meets its financial commitments as and when they fall due.

The Prudential Regulatory Authority (PRA), regulator of UK, has vide its letter dated 02.09.2015 put the Bank under 'watch list'. There are no specific restrictions or penalties. PNB infused fresh capital of USD 100 million on 31st March 2017 to help it to meet the minimum regulatory capital requirements.

Apart from the above, the Bank has not issued any Letter of Comfort and therefore their are no cumulative Financial obligations under Letter of Comfort.

30. Disclosure in respect of Insurance Business undertaken by the bank:

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Details of fees/brokerage/remuneration earned in respect of Insurance, Broking, Agency and Business including Mutual Fund Business undertaken by the bank during the year.		
(i) Life Insurance Business:	110.19	86.47
(ii) Non-life Insurance Business:	28.23	24.51
(iii) Mutual Fund Business	3.59	03.38
TOTAL	**142.01**	**114.36**

31. I. Concentration of Deposits, Advances, Exposures and NPAs:

(a) Concentration of Deposits:

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Total Deposits of twenty largest depositors	20483.38	22798.04
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	3.29 %	4.12%

(b) Concentration of Advances:

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Total Advances of twenty largest borrowers	73798.66*	59785.73
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	16.71 %	13.81%

(The above data is as certified by the Management)

(c) Concentration of Exposures:

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Total Exposures of twenty largest borrowers/customers	82128.48*	71884.38
Percentage of Exposures to twenty largest borrowers/customers to Total Exposures of the bank on borrowers/customers	14.75 %	13.35 %

(The above data is as certified by the Management)

(d) Concentration of NPAs:

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Total Exposure to top four NPA accounts	9520.21	10465.40

(e) Provisioning Coverage Ratio:

Particulars	31.03.2017	31.03.2016
Provisioning Coverage Ratio	58.57 %	51.06%

II. Sector-wise advances*:

(₹ in Crore)

Sl. No.	Sector	As on 31.03.2017			As on 31.03.2016		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector						
1.	Agriculture and allied activities	65629.56	6353.16	9.68	72985.31	4381.00	6.00

2.	Advances to industries sector eligible as priority sector lending	20841.75	3482.64	16.71	24217.99	3465.81	14.31
3.	Services	37726.50	2998.24	7.95	43463.50	3448.81	7.93
4.	Personal loans	13915.67	804.79	5.78	21724.91	868.58	4.00
	Sub-total (A)	**138113.48**	**13638.83**	**9.88**	**162391.71**	**12164.20**	**7.49**
B	**Non Priority Sector**						
1.	Agriculture and allied activities	12081.95	272.78	2.26	0.00	0.00	0.00
2.	Industry	126011.79	33021.60	26.21	124997.35	34358.49	27.49
3.	Services	125350.53	7397.39	5.90	132127.17	9016.76	6.82
4.	Personal loans	40193.61	1039.85	2.59	13258.81	278.88	2.10
	Sub-total (B)	**303637.88**	**41731.62**	**13.74**	**270383.33**	**43654.13**	**16.15**
	Total (A+B)	**441751.36**	**55370.45**	**12.53**	**432775.04**	**55818.33**	**12.90**

⊗ As certified by the Management.

III. Movement of NPAs:

(₹ in Crores)

Particulars	**31.03.2017**	**31.03.2016**
Gross NPAs Opening balance	55818.33	25694.86
Additions (Fresh NPAs) during the year	22414.58	42251.80
Sub-total (A)	**78232.91**	67946.66
Less:		
(i) Up gradations	2980.69	1381.66
(ii) Recoveries (excluding recoveries made from upgraded accounts)	10676.65	4261.88
(iii) Technical /Prudent Write-offs	9205.12	6484.79
(iv) Write-offs other than those under (iii) above		
Sub-total (B)	**22862.46**	12128.33
Gross NPAs Closing balance (A-B)	**55370.45**	55818.33

Detail of Technical write-offs and the recoveries made there on:

(₹ in Crores)

Particulars	As on 31.03.2017	As on 31.03.2016
Opening balance of Technical / Prudential written-off accounts	16558.14	11146.09
Add : Technical / Prudential write-offs during the year	11485.94	7691.61
Sub-total (A)	28044.08	18837.70
Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	4484.79	2279.56
Closing balance (A-B)	23559.29	16558.14

IV. Overseas Assets, NPAs and Revenue:

(₹ in Crores)

Particulars	31.03.2017	31.03.2016
Total Assets	85293.00	95061.84
Total NPAs (Gross)	2298.58	1394.37
Total Revenue	2463.39	2489.98

V. Off-balance sheet SPVs sponsored by the Bank (which are required to be consolidated as per accounting norms)

The details of SPVs sponsored by our Bank as on 31.03.2017 are as under:

Name of the SPV sponsored					
Domestic					Overseas
M/s Millennium City Expressways Pvt. Ltd. (MCEPL)					Nil
% of Share Holding	No. of Equity Shares	No. of OCRPS	Total No. of Shares	Share Value (Rs. Cr.)	
29.06%	18,20,00,000	2,95,36,321	21,15,36,321	211.54	

32. Reward Points of Credit Card & Debit Card

i) PNB Global Credit & Debit Cardholders are rewarded as and when they make purchases through usage of Credit & Debit Card. Reward Points are generated at the time of usage of Credit & Debit Card by Cardholder at merchant Establishment. Card holder can redeem the accumulated reward points. The amount payable on account of reward points is charged to Profit and Loss account and credited to Sundry Provision Account on daily basis.

Position of outstanding reward points and provision regarding Credit Cards is as under:

Particulars	As on	As on

	31.03.2017	31.03.2016
Balance Reward Points outstanding	169893570	127306913
Provision held for these points (₹ in Lacs)*	213.97	159.19

*The provision held against Rewards points in respect of Credit Cards has been worked out at ₹s 0.50 for 1 point. Based on past trend of redemption, provision has been made @ 25% of accumulated Reward points on estimated basis as in the previous year.

ii) **Position of outstanding reward points and provision thereon regarding Loyalty Reward Points- Debit Cards is as under:**

Particulars	**As on 31.03.2017**	**As on 31.03.2016**
Balance of loyalty reward points	2208155387	863549121
Provision held against reward points (₹ in Lacs)*	828.05	333.97

*The provision held against Loyalty Reward points has been worked at ₹.0.25 for 1 point, which has further been valued at 15% on estimated basis as in the previous year.

33. Disclosures relating to Securitization

OUTSTANDING AMOUNT OF SECURITISED ASSETS:

Sl.No			**Particulars**	**No/₹. in crore**
1.	No of SPVs sponsored by the bank for securitization transactions*			
2.	Total amount of securitized assets as per books of the SPVs sponsored by the bank			
3.	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet			
	a)	Off-balance sheet exposures		
		First loss		
		Others		
	b)	On-balance sheet exposures		
		First loss		
		Others		
4	Amount of exposures to securitization transactions other than MRR			
	a)	Off-balance sheet exposures		
		i)	Exposure to own securitizations	
			First loss	
			Others	
		ii)	Exposure to third party securitizations	
			First loss	NIL

			Others	
	b)	On-balance sheet exposures		
		i)	Exposure to own securitizations	
			First loss	
			Others	
		ii)	Exposure to third party securitizations	
			First loss	
			Others	

34. Credit Default Swaps

Since the Bank is not using any proprietary pricing model for pricing CDS contracts, and it is over the counter contract (OTC), the price is determined by the market dynamics. As such no disclosure is to be made in terms of extant RBI guidelines.

35.Transfers to Depositor Education and Awareness Fund (DEAF):

In compliance to RBI Circular No.DBOD.NO.DEAF.CELL.BC.114/30.01.002/2013-14 dated 27.05.2014, the Bank has transferred the following amount to RBI, as per Depositor Education and Awareness Scheme, 2014.

(₹ in Crore)

Particulars	As on 31.03.2017	As on 31.03.2016
Opening balance of amounts transferred to DEAF	676.58	422.05
Add : Amounts transferred to DEAF during the period	537.54	264.52
Less : Amounts reimbursed by DEAF towards claims	17.79	09.99
Closing balance of amounts transferred to DEAF as at 31.03.2017*	1196.33	676.58

*Reflected as "Contingent Liability - Others, items for which the bank is contingently liable" under Schedule 12 of the financial statements.

36. Unhedged Foreign Currency Exposure (UFCE):

The Bank has framed a policy to manage currency induced credit risk and has been incorporated in bank's Credit Management & Risk Policy 2017-18 as follows:

"In terms of RBI guidelines Bank should monitor the currency wise Un-hedged Foreign Currency Exposure in the books of borrowers at quarter ends along-with the Annualized Earnings Before Interest & Depreciation (EBID). The incremental provision (ranging from 0 to 80 bps on total credit exposure, over and above the standard asset provisioning) and capital requirement will depend on likely loss (due to foreign currency fluctuation), that borrowers may face due to their un-hedged forex exposure in their books. Bank shall maintain separate charge and provisioning requirement on account of such exposures which may impact the cost to the borrowers. Appropriate disclosures in the financial statements of the bank shall also be made."

(₹ in Crore)

Particulars	31.03.2017	31.03.2016
Incremental Provision	18.02	26.82
Incremental capital held	58.46	65.32

37. Intra-Group Exposures

(₹ in Crore)

	Particulars	31.03.2017	31.03.2016
a)	Total amount of intra-group exposures	2614.08	2920.08
b)	Total amount of top-20 intra group exposures.*(3 entities)	2614.08	2920.08
c)	Percentage of intra-group exposures to total exposure of the Bank on borrower/customers (As on 31.03.2017).^	0.47 %	0.54 %
d)	Details of breach of limits on intra-group exposures and regulatory action, if any.	NIL	NIL

*1) PNB Housing Finance Ltd. 2) PNB Gilts Ltd. 3. Principal PNB Asset Management Co. Pvt. Ltd.

^Total exposure of the bank are **Rs. 556869.31** crores as on 31.03.2017.

38. Liquidity Coverage Ratio

QUALITATIVE DISCLOSURE ON LIQUIDITY COVERAGE RATIO

The bank has implemented RBI guidelines on Liquidity Coverage Ratio (LCR) from 1st January 2015.

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be readily converted into cash at little/no loss of value to meet its liquidity needs for a 30 calendar day time horizon under a liquidity stress scenario.

LCR has two components:

i. The value of the stock of High Quality Liquid Assets (HQLA) – The Numerator.

ii. Total Net Cash Outflows: Total expected cash outflows minus Total expected cash inflows" in stress scenario for the subsequent 30 calendar days - The denominator.

Definition of LCR:

Stock of high quality liquid assets (HQLAs) ≥ 100%

Total net cash outflows over the next 30 calendar days

The LCR requirement has become binding on the banks with the following minimum required level as per the time-line given below:

	Jan 1, 2015	Jan 1, 2016	Jan 1, 2017	Jan 1, 2018	Jan 1, 2019
Minimum LCR	60%	70%	80%	90%	100%

As at 31.03.2017, against the regulatory requirement of 80%, bank is maintaining LCR at 143.16% (average of daily observation over the previous Quarter) at consolidated level (including domestic & foreign subsidiaries).

The main drivers of LCR of the bank are High Quality Liquid Assets (HQLAs) to meet liquidity needs of the bank at all times and basic funding from retail and small business customers. The retail and small business customers contribute about 69.08% of total deposit portfolio of the bank which attracts low run-off factor of 5/10%.

Composition of High Quality Liquid Assets (HQLA)

HQLAs comprises of Level 1 and Level 2 assets. Level 2 assets are further divided into Level 2A and Level 2B assets, keeping in view their marketability.

Level-1 assets are those assets which are highly liquid. For quarter ended Mar 31, 2017, the daily observation average over the previous quarter Level-1 asset of the bank includes Cash in Hand, Excess CRR, Government Securities in excess of SLR, sovereign securities besides MSF & FALLCR and Marketable securities totalling Rs. 135969.40 cr.

Level - 2A & 2B assets are those assets which are less liquid and their weighted amount comes to Rs. 9283.52 cr. Break-up of daily observation Average HQLA during quarter ended Mar 31, 2017 is given hereunder:

High Quality Liquid Assets (HQLAs)	Average % age contribution to HQLA
Level 1 Assets	
Cash in hand	1.06%
Excess CRR balance	0.31%
Government Securities in excess of minimum SLR requirement	48.18%
Government securities within the mandatory SLR requirement, to the extent allowed by RBI under MSF (presently to the extent of 2 per cent of NDTL)	7.73%
Marketable securities issued or guaranteed by foreign sovereigns having 0% risk-weight under Basel II Standardized Approach	1.52%
Facility to avail Liquidity for Liquidity Coverage Ratio – FALLCR (presently to the extent of 9 per cent of NDTL)	34.81%

Total Level 1 Assets	93.61%
Total Level 2A Assets	5.77%
Total Level 2B Assets	0.62%
Total Stock of HQLAs	100.00%

Concentration of Funding Sources

This metric includes those sources of fundings, whose withdrawal could trigger liquidity risks. It aims to address the funding concentration of bank by monitoring its funding requirement from each significant counterparty and each significant product / instrument. As per RBI guidelines, a "significant counterparty/Instrument/product" is defined as a single counterparty/Instrument/product or group of connected or affiliated counter-parties accounting in aggregate for more than 1% of the bank's total liabilities.

The bank has no significant counterparty (deposits/borrowings) as on 31.03.2017. The share of largest depositor in bank's total deposits is around 0.29% whereas the contribution of top 20 depositors is around 3.29% only. The significant product / instrument includes Saving Fund, Current deposit, Core Term Deposit, and Inter-bank term deposit, the funding from which are widely spread and cannot create concentration risk for the bank.

Derivative exposure

The bank has low exposure in derivatives having negligible impact on its liquidity position.

Currency Mismatch

As per RBI guidelines, a currency is considered as "significant" if the aggregate liabilities denominated in that currency amount to 5 per cent or more of the bank's total liabilities. In our case, only USD (8.63% of bank's total liabilities) falls in this criteria whose impact on total outflows in LCR horizon can be managed easily.

Degree of centralization of liquidity management and interaction between group's units

The group entities are managing liquidity on their own. However, the bank has put in place a group-wide contingency funding plan to take care of liquidity requirement of the group as a whole in the stress period.

QUANTITATIVE DISCLOSURES

QUANTITATIVE DISCLOSURE (On consolidated basis (including domestic & foreign subsidiaries)
Rs. in Crore

		31.03.2017		31.03.2016	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)**	Total Weighted Value (average)**
		High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		145252.92		68082.95
		Cash Outflows			
2	Retail deposits and deposits from small business customers of which :	429605.68	33699.45	366432.89	27563.23
(i)	Stable deposits	185222.34	9261.12	181601.12	9080.06
(ii)	Less stable deposits	244383.34	24438.33	184831.77	18483.18
3	Unsecured wholesale funding, of which:	146409.01	87620.37	145299.65	86123.32
(i)	Operational deposits (all counterparties)	0.00	0.00	0.00	0.00
(ii)	Non-operational deposits (all counterparties)	146409.01	87620.37	145299.65	86123.32
(iii)	Unsecured debt	0.00	0.00	0.00	0.00
4	Secured wholesale funding		0.00		0.00
5	Additional requirements, of which	16862.28	15562.70	5670.93	4595.35
(i)	Outflows related to derivative exposures and other collateral requirements	15451.51	15451.51	4502.87	4502.87
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00
(iii)	Credit and	1410.77	111.19	1168.06	92.48

	liquidity facilities				
6	Other contractual funding obligations	0.00	0.00	0.00	0.00
7	Other contingent funding obligations	142285.00	5676.02	139245.20	5198.68
8	Total Cash Outflows		142558.54		123480.58
	Cash Inflows				
9	Secured lending (e.g. reverse repos)	0.00	0.00	492.41	0.00
10	Inflows from fully performing exposures	22894.95	20110.58	29798.22	23842.38
11	Other cash inflows	20982.63	20984.84	5219.37	5219.37
12	Total Cash Inflows	43877.58	41095.42	35510.01	29061.76
	Total Adjusted Value				
13	TOTAL HQLA		145252.92		68082.95
14	Total Net Cash Outflows		101463.12		94418.82
15	Liquidity Coverage Ratio (%)		143.16%		72.11%
* *Simple averages of Daily observations over previous quarter*					
** *Simple averages of monthly observations over previous quarter*					

39. Other Notes

a. As per RBI guidelines, the Bank has worked out the amount of inter Branch Credit entries outstanding for more than 5 years, pertaining to the period up to 31.03.2012, to be transferred to a Blocked Account. Accordingly, a sum of ₹ 28.35 crores (net of adjustments since carried out) has been included under "Other Liabilities-others" in Schedule-5.

No claim has been received during the period ended March 2017 (01.04.2016 to 31.03.2017) against Inter Branch Credit entries, Blocked and transferred to General Ledger.

b. During the current financial year the Bank has revalued immovable properties (forming part of Schedule 10) based on the reports obtained from external independent valuers. The revaluation surplus amounting to ₹ 964.24 crore is credited to revaluation reserve.

c. Premises includes properties amounting to ₹ 2.75 crore (Net of Depreciation) (previous year ₹ **1.66** crore) {Cost ₹ **7.47** crore} (previous year ₹ **7.47** crore) having revalued amount of ₹ 104.68 crore (Net of Depreciation upto March 17), are awaiting registration of title deeds. Premises include capital work in progress of ₹ 340.32 crore (previous year ₹ **238.85** crore).

d. Tax Paid in advance/Tax deducted at source appearing under "Other Assets includes disputed amount adjusted by the department/paid by the Bank in respect tax demands for various assessment years.

No provision is considered necessary in respect of disputed Income Tax demand of ₹ **674.50** Crore (previous year ₹ 1155.79 Crore) as in the bank's view, duly supported by expert opinion and/or decision in bank's own appeals on same issues, additions / disallowances made are not sustainable. Against these disputed demands, ` **674.50** crores (previous year ₹ 1155.79 crores) has been paid.

e. During the Financial Year 2016-17 the bank has allotted 164370768 equity shares of ₹2/- each to Government of India at a premium of ₹ 126.49 per share as determined by the Board in terms of the Chapter VII of the SEBI (ICDR) Regulations, 2009, as amended from time to time on preferential basis. The total amount received by the bank on this account is ₹. 2112 crores which includes ₹ 32.87 crores as equity capital and ₹ 2079.13 crores as premium. Consequently the Government holding has increased to 65.01 % as against 62.08% before preferential allotment.

. f . The guidelines given in Micro, Small and Medium Enterprises Development Act 2006 have been complied with for purchases made during the Financial Year 2016- 2017 and payments have been made to the Vendors in time as per Act. Since there had been no delay in payment, so no penal interest has been paid in FY 201-17.

g Information under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in terms of the provisions of Regulation 52(4) for unsecured bonds issued by bank <u>excluding Debt instruments eligible for meeting capital requirement.</u>

	PNB BONDS SERIES	ISIN NO.	DATE OF PAYMENT OF INTEREST	Whether the same has been paid or not	Rating Previous ICRA	Revised rating ICRA Feb 2016	Rating CARE	Rating India Rating	Rating CRISIL	Remark **
1	Long Term Bonds (Borrowing) series I (8.23 %)	INE160A08068	09.02.2017	Paid	NA	NA	AA+	AAA	AAA	NIL
2	Long Term Bonds (Borrowing) series II (8.35 %)	INE160A08084	24.03.2017	Paid	AAA	AA+	AA+	NA	AAA	NIL

h. In compliance of RBI letter no. DBR.NO.BP.13018/21.04.048/2015-16 dated 12.04.2016, Bank has made a provision of ₹ 209.07 crore being 15 % of the existing outstanding of ₹ 1393.79 crore as on 31.03.2017 in respect of restructured Food Credit advance availed by State Government of Punjab.

i. Balances in ATMs / with cash replenishing agencies is being reconciled, impact of which is not expected to be material.

j. Provisioning pertaining to fraud accounts due to amendment in provisioning norms as per RBI Circular no. RBI/2015-16/376 DBR.No.BP.BC.92/21.04.048/2015-16 dated 18.04.2016:

(₹in Crores)

Category	No. of Fraud cases reported during the FY 2016-17		Quantum of provision during the FY 2016-17	Un-amortized provisions
Borrowal	90	2789.84	1956.18	833.66
Non-Borrowal Frauds*	95	19.47	13.34	0.00
Total	**185**	**2809.31**	**1969.52**	**833.66**

k. The Strategy for IND AS Implementation

IND AS roadmap for scheduled commercial banks (excluding regional rural banks), insurers/insurance companies and non-banking financial companies (NBFCs) was issued by Union Ministry of Corporate Affairs (MCA) through press release dated 18 January 2016. IND AS is applicable to the Bank in accordance with the MCA press release from financial year 2018-19. In pursuance to this Reserve Bank of India (RBI) had issued notification (RBI/2015-16/315DBR.BP.BC.No.76/21.07.001/2015-16) dated 11 February 2016 for implementation of IND AS. The Bank has commenced the process of IND AS (Indian Accounting Standards) implementation from financial year 2016-17.

A steering committee headed by the Executive Director and comprising of General Managers from various cross functional areas of the Bank to monitor the progress of the implementation is formed. The Bank has a well-planned strategy for its implementation and has made substantial progress during the year. The Bank has completed a diagnostic study to identify the differences between the current accounting framework and IND AS. Based on this diagnostic study the Bank has quantified the impact and filed the pro-forma financial statements for the half year ended September 2016 with the Reserve Bank of India. The Bank is now assessing the changes, wherever required in the core banking system. Bank has also commenced the formulation of the Expected Credit Loss Models. With the annual financial statements under the current accounting framework being finalized, the Bank will commence the preparation of the Opening Balance Sheet for the IND AS transition.

40. Figures of the previous year have been regrouped / rearranged / reclassified wherever necessary.

PUNJAB NATIONAL BANK

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2017

(INR ' 000)

	Particulars		2016-17	2015-16
A.	**Cash Flow from Operating Activities**			
(I)	**Net Profit after Tax**		**1,32,48,018**	**(3,97,43,960)**
	Add Provision for Tax (net of deferred tax)		68,67,419	(1,76,34,857)
	Profit before tax	(i)	**2,01,15,437**	**(5,73,78,817)**
(ii)	**Adjustment for :**			
	Depreciation on Fixed Assets		48,35,308	41,63,580
	Less : Amount drawn from Revaluation Reserve		(5,84,941)	(2,06,289)
	Provisions for non performing assets		13,53,73,804	18,46,91,491
	Less : Amount drawn from Other Reserve		(83,36,600)	0
	Provision on Standard Assets		(1,24,17,836)	(1,37,07,147)
	Depreciation/ (Release), Write off, Provision on Investments (net)		48,66,488	34,54,886
	Other Provisions (net)		63,29,786	52,02,875
	Dividend from Subsidiary / Others (Investing Activity)		(3,72,429)	(3,83,408)
	Interest on Bonds (Financing Activity)		1,62,35,113	1,64,68,138
	Profit / Loss on sale of Fixed Assets (net)		(53,758)	(25,005)
		(ii)	**14,58,74,936**	**19,96,59,121**
	Operating Profit before Changes in Operating Assets and Liabilities	(i+ii)	**16,59,90,373**	**14,22,80,304**
(iii)	**Adjustment for net change in Operating Assets and Liabilities**			
	Decrease / (Increase) in Investments		(29,36,61,958)	(8,09,96,525)
	Decrease / (Increase) in Advances		(20,70,47,300)	(50,26,05,439)
	Decrease / (Increase) in Other Assets		(2,42,68,829)	(2,39,30,429)
	Increase / (Decrease) in Deposits		68,65,28,883	51,67,24,892
	Increase / (Decrease) in Borrowings		(19,24,21,080)	12,58,46,974
	Increase / (Decrease) in Other Liabilities & Provisions		37,30,566	78,55,452
		(iii)	**(2,71,39,719)**	**4,28,94,925**
	Cash generated from Operations	(i+ii+iii)	13,88,50,654	18,51,75,229
	Tax Paid (net of refund)		(1,38,80,126)	(1,47,21,540)
	Net Cash used in Operating Activities	(A)	12,49,70,528	17,04,53,689
B.	**Cash flow from (used in) Investing Activities**			
	Purchase of Fixed Assets (net of Sales)		(56,44,275)	(60,72,538)
	Dividend recd from Subsidiaries / JV / RRBs		3,72,429	3,83,408
	Investment in Subsidaries / JV / RRBs		-	(21,38,240)
	Net Cash used in investing Activities	(B)	**(52,71,846.00)**	**(78,27,370)**
C.	**Cash flow from (used in) Financing Activities**			
	Issue of Share Capital (incl. Premium)		2,11,20,001	1,73,19,999
	Issued(Redemption) of Bonds (Tier I & Tier II)		25,02,000	1,50,00,000
	Interest paid on Bonds (Tier I & Tier II)		(1,62,35,113)	(1,64,68,138)
	Payments of Dividends (incl.tax on Dividend)		-	(72,89,000)
	Net Cash from Financing Activities	(C)	73,86,888	85,62,861
D	**Net Change in Cash and Cash Equivalents**	(A+B+C)	**12,70,85,570**	**17,11,89,180**

CHHAJED & DOSHI MUMBAI 101794W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907N Chartered Accountants

SURI & CO. Chennai 004283 S Chartered Accountants

S P M G & COMPANY New Delhi Chartered Accountants

PUNJAB NATIONAL BANK

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2017

(INR ' 000)

Particulars		2016-17		2015-16
Cash and Cash Equivalents at the beginning of the year				
Cash and Balances with Reserve Bank of India	26,47,90,678		24,22,49,419	
Balances with Banks & Money at Call & Short Notice	49,14,40,222	75,62,30,900	34,27,92,301	58,50,41,720
Cash and Cash Equivalents at the end of the year				
Cash and Balances with Reserve Bank of India	25,20,99,957		26,47,90,678	
Balances with Banks & Money at Call & Short Notice	63,12,16,513	88,33,16,470	49,14,40,222	75,62,30,900
		12,70,85,570		17,11,89,180

Notes :-

1 Direct taxes paid (net of refund) are treated as arising from operating activities and are not bifurcated between investing and financing activities.

2 All figures in minus represents "Cash Out Flow"

T K BALAMUKUNDAN
DY. GENERAL MANAGER

S K JAIN
DY. GENERAL MANAGER

P K SHARMA
GENERAL MANAGER

SANJIV SHARAN
EXECUTIVE DIRECTOR

DR. RAM S SANGAPURE
EXECUTIVE DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

SUNIL MEHTA
MANAGING DIRECTOR & C.E.O.

SUNIL MEHTA
CHAIRMAN

ANIL KUMAR KHACHI
DIRECTOR

DR. RABI N. MISHRA
DIRECTOR

MAHESH BABOO GUPTA
DIRECTOR

HIROO MIRCHANDANI
DIRECTOR

SUDHIR NAYAR
DIRECTOR

As per our Report of even date

For Chhajed & Doshi
Chartered Accountants - FRN 101794W

Sudesh Punhani
Partner
M No. 017222

For R. Devendra Kumar & Associates
Chartered Accountants - FRN 114207W

Neeraj Golas
Partner
M No. 074392

For Hem Sandeep & Co.
Chartered Acccountants - FRN 009907N

Manish Gupta
Partner
M No. 092257

For Suri & Co.
Chartered Accountants-FRN 004283S

R Mahesh
Partner
M No. 024775

For SPMG & Co.
Chartered Accountants - FRN 509249C

Satish Chander
Partner
M No. 087562

Date : 16.05.2017
Place: New Delhi

SHAH GUPTA & CO.
Chartered Accountants
HEM SANDEEP & CO.
Chartered Accountants

CHHAJED & DOSHI
Chartered Accountants
SURI & CO.
Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES
Chartered Accountants
SPMG & CO.
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Punjab National Bank

Report on the Financial Statements

1. We have audited the accompanying Standalone financial statements of **Punjab National Bank**(the 'Bank') as at March 31, 2016, which comprise the Balance Sheet as at March 31, 2016, and Profit and Loss Account and the Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 20 branches, Treasury Division and 36 other offices audited by us,3378 branches audited by Statutory Branch Auditors (including 1 off-shore banking unit and 76 other offices/centers) and 3 foreign branches audited by local auditors in respective countries. The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit and Loss Account are the returns from 3459 branches, 109 other offices of the Bank, which have not been subjected to audit. These unaudited branches and offices account for 5.71% per cent of advances, 23.01 per cent of deposits, 6.34% per cent of interest income and 24.16 per cent of interest expenses.

Management's Responsibility for the Standalone Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with the Banking Regulation Act, 1949, accounting principles generally accepted in India alongwith recognition and measurement principles laid down in the Accounting Standards issued by the Institute of Chartered Accountants of India so far as they are applicable to the Bank and Reserve Bank of India guidelines from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

SHAH GUPTA & CO. MUMBAI 109574 W Chartered Accountants · CHHAJED & DOSHI MUMBAI Chartered Accountants · R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS · HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants · SURI & CO. Chennai 004283 S Chartered Accountants · SPMG & COMPANY New Delhi 509249 C Chartered Accountants

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors'judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, as shown by books of bank, and to the best of our information and according to the explanations given to us:

   (i) the Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at March 31, 2016 in conformity with accounting principles generally accepted in India;

   (ii) the Profit and Loss Account, read with the notes thereon shows a true balance of loss, in conformity with accounting principles generally accepted in India, for the year covered by the account; and

   (iii) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Emphasis of Matter

7. Without qualifying our opinion, we draw attention to note 15 of Schedule 18 'Notes to Accounts'Note regarding change in valuation of Plan Assets of long-term benefits from Book Value to Fair Value, resulting in increase in the value of Plan Assets by ₹388.07 crores in respect of Pension Fund and by ₹53.08 crores in respect of Gratuity Fund in terms of Accounting Standard - 15 "Employee Benefits".

Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in in accordance with Section 29 of the Banking Regulation Act, 1949.

SHAH GUPTA & CO. MUMBAI 109574 W Chartered Accountants

CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

SURI & CO. Chennai 004283 S Chartered Accountants

SPMG & COMPANY New Delhi 509249 C Chartered Accountants

9. Subject to the limitations of the audit indicated in paragraph 1 to 5 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, and subject also to the limitations of disclosure required therein, we report that:

   (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory;

   (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   (c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

10. We further report that:

   (a) the Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account and returns;

   (b) the reports on the accounts of the branch offices audited by branch auditors of the Bank under section 29 of the Banking Regulation Act, 1949 have been sent to us and have been properly dealt with by us in preparing this report;

   (c) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable accounting standards.

FOR SHAH GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.109574W

HENEEL K PATEL
PARTNER (M.NO.114103)

FOR CHHAJED & DOSHI
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 101794W

KIRAN K DAFTARY
PARTNER (M.NO.010279)

FOR R. DEVENDRA KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 114207W

NEERAJ GOLAS
PARTNER (M.NO.074392)

FOR HEM SANDEEP & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.009907N

SANDEEP JAIN
PARTNER (M.NO.087977)

FOR SURI & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004283S

R. MAHESH
PARTNER (M.NO.024775)

FOR SPMG & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.509249C

MANDEEP SINGH ARORA
PARTNER (M.NO.091243)

Place: New Delhi
Date: May 18, 2016

PUNJAB NATIONAL BANK
BALANCE SHEET AS ON 31st MARCH, 2016

(₹000 omitted)

CAPITAL & LIABILITIES	Schedule	As on 31.03.16	As on 31.03.15
Capital	1	3927195	3709114
Reserves & Surplus	2	379174196	387086090
Deposits	3	5530511281	5013786389
Borrowings	4	597552434	456705459
Other Liabilities and Provisions	5	162739448	172048908
	TOTAL	6673904554	6033335960
ASSETS			
Cash & Balances with Reserve Bank of India	6	264790678	242249419
Balances with Banks & Money at call & short notice	7	471440222	317092301
Investments	8	1578458925	1498769540
Advances	9	4123258000	3805344052
Fixed Assets	10	52227288	35514756
Other Assets	11	183729441	134365892
	TOTAL	6673904554	6033335960
Contingent Liabilities	12	3357959224	2739453849
Bills for Collection		232211889	196406219

Significant Accounting Policies 17
Notes on Accounts 18
The Schedules 1 to 18 form an integral part of the Accounts.

T K BALAMUKUNDAN
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S K JAIN
ASSTT. GENERAL MANAGER

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GENERAL MANAGER

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EXECUTIVE DIRECTOR

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DIRECTOR

RAJINDER MOHAN SINGH
DIRECTOR

SUDHIR NAYAR
DIRECTOR

As per our Report of even date

For Shah Gupta & Co.
Chartered Accountants
FRN 109574 W

(Heneel K. Patel)
Partner (M No. 114103)

For Chhajed & Doshi
Chartered Accountants
FRN 101794W

(Kiran K Daftary - Partner)
Partner (M No.010279)

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Partner (M No. 024775)

For SPMG & Co.
Chartered Accountants
FRN 509249C

(Mandeep Singh Arora)
Partner (M No. 091243)

Date : 18/05/2016
Place: New Delhi

PUNJAB NATIONAL BANK

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2016

(₹000 omitted)

	Schedule	Year Ended 31.03.16	Year Ended 31.03.15
I. INCOME			
Interest earned	13	474243499	463153627
Other Income	14	68770217	58907319
TOTAL		**543013716**	**522060946**
II. EXPENDITURE			
Interest expended	15	321125720	297597940
Operating expenses	16	99724543	104915477
Provisions and Contingencies		161907413	88931686
TOTAL		**582757676**	**491445103**
III. PROFIT			
Net Profit/(Loss) for the year		**-39743960**	**30615843**
Add: Balance in Profit & Loss A/c		-	-
Profit Available for Appropriation		**-39743960**	**30615843**
IV. APPROPRIATIONS			
Transfer to :			
Statutory Reserves		0	7653960
Capital Reserves		1117341	853997
Revenue & Other Reserves		-40803267	9376748
Proposed Dividend		0	6123169
Interim Dividend		0	0
Tax on Dividend proposed for the year 2015-16		0	1253699
Balance Transferred from provision for tax on dividend/dividend		-58034	-29834
Special reserve as per Income Tax Act		0	2750000
Investment Reserve		0	2634104
Balance in Profit & Loss Account		0	0
TOTAL		**-39743960**	**30615843**
Earning per Share (₹) (Basic/Diluted)		**-20.82**	**16.91**

(Nominal Value ₹ 2 per share)

Significant Accounting Policies 17

Notes on Accounts 18

T K BALAMUKUNDAN
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HIROO MIRCHANDANI
DIRECTOR

RAJINDER MOHAN SINGH
DIRECTOR

SUDHIR NAYAR
DIRECTOR

As per our Report of even date

For Shah Gupta & Co.
Chartered Accountants
FRN 104153E
(Heneel K. Patel)
Partner (M No. 114103)

For Chhajed & Doshi
Chartered Accountants
FRN 101794W
(Kiran K Daftary)
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(Neeraj Golas)
Partner (M No. 074932)

For Hem Sandeep & Co.
Chartered Accountants
FRN 009907N
(Sandeep Jain)
Partner M No. 087977

For Suri & Co.
Chartered Accountants
FRN 004283S
(R Mahesh)
Partner (M No. 24775)

For SPMG & Co.
Chartered Accountants
FRN 509249C
(Mandeep Singh Arora)
Partner (M No. 091243)

Date : 18/05/2016
Place: New Delhi

PUNJAB NATIONAL BANK

SCHEDULE 1 - CAPITAL

(₹000 omitted)

	As on 31.03.16	As on 31.03.15
Authorised 15,00,00,00,000 Equity Shares of ₹ 2 each	30000000	30000000
Issued & Subscribed 1,96,35,97,490 (Previous year 1,85,45,56,947 Equity Shares of ₹ 2 each) Equity shares of ₹ 2 each	3927195	3709114
Paid Up 1,96,35,97,490 (Previous year 1,85,45,56,947 Equity Shares of ₹ 2 each) Equity shares of ₹ 2 each	3927195	3709114
(includes equity shares of 1,21,90,88,455 ₹2 each held by Central Government)		
TOTAL	3927195	3709114

SCHEDULE 2 - RESERVES & SURPLUS

		As on 31.03.16		As on 31.03.15
I. Statutory Reserves				
Opening Balance	96670507		89016547	
Addition during the year	0		7653960	
		96670507		96670507
II. Capital Reserves				
a) **Revaluation Reserve**				
Opening Balance	13875501		14081790	
Addition during the year	14778569			
Deduction during the year	206289		206289	
(being depreciation on revalued portion of property)				
Transfer to Other Reserves	0		0	
		28447781		13875501
b) **Others**				
Opening Balance	12269241		11415244	
Addition during the year	1117340		853997	
		13386581		12269241
III. Share Premium				
Opening Balance	70027254		61415668	
Addition during the year	17101918		8611586	
Deduction during the year	0		0	
		87129172		70027254
IV. Revenue and other Reserves				
a) **Investment Reserve**				
Opening Balance	3705193		1071089	
Add :Transfer from P&L Appropriation A/c	0		2634104	
Less: Transfer to P&L Appropriation A/c	0		0	
		3705193		3705193
b) **Exchange Fluctuation Reserve**				
Opening Balance	542271		462770	
Add :Addition during the year	99842		79501	
Less: Deduction during the year (Net)	0			
		642113		542271
c) **Special Reserve under Sec.36(1) (viii) of Income Tax Act, 1961**				
Opening Balance	11936600		9111300	
Transferred from Other Reserves	0			
Addition during the year	0	11936600	2825300	11936600
d) **Other Reserve**				
Opening Balance	178059523		168758082	
Addition during the year	0		9301448	
Less: Withdrawal during the year	40803267		0	
Add: Transfer from Revaluation Reserves	0		0	
Less: Payment for blocked accounts	7		7	
		137256249		178059523
V. Balance in Profit & Loss Account		0		0
Total of I, II, III, IV,V		379174196		387086090

(₹000 omitted)

SCHEDULE 3 - DEPOSITS

		As on 31.03.16		As on 31.03.15
I. Demand Deposits				
(i) From Banks	36366491		32359883	
(ii) From Others	325203374	**361569865**	303448139	**335808022**
II. Savings Bank Deposits		**1694263513**		**1501996610**
III. Term Deposits				
A. (i) From Banks	651814837		429356953	
(ii) From Others	2822863066	**3474677903**	2746624804	**3175981757**
Total I, II & III		**5530511281**		**5013786389**
B. (i) Deposits of branches in India		4938546917		4530287032
(ii) Deposits of branches outside India		591964364		483499357
TOTAL B (i) & (ii)		**5530511281**		**5013786389**

SCHEDULE 4 - BORROWINGS

		As on 31.03.16		As on 31.03.15
I. Borrowings in India				
(i) Reserve Bank of India		161750000		0
(ii) Other Banks		24327138		54740468
(iii) Other Institutions and Agencies		54284880		5373917
(iv) **Unsecured Redeemable Bonds**				
a) Tier-I Bonds (Perpetual Debt Instruments)	35205000		35205000	
b) Upper Tier-II Bonds	66100000		66100000	
c) Subordinate debts for Tier II Capital	64998000		49998000	
d) Long term infrastructure bonds	28000000	**194303000**	28000000	**179303000**
II. Borrowings outside India		162887416		217288074
Total of I, II		**597552434**		**456705459**
Secured Borrowings included in I & II above		178915913		0

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SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹000 omitted)

	As on 31.03.16	As on 31.03.15
I. Bills Payable	24257226	23390092
II. Inter-Office adjustments(net)	79613	143746
III. Interest accrued	16072257	12871891
IV. Deferred Tax Liability (Net)	0	0
V. Others (including Provisions)	122330352	135643179
Total of I, II, III, IV, V	**162739448**	**172048908**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

I. Cash in hand (including foreign currency notes)	22238461	22710604
II. Balance with Reserve Bank of India		
In Current Account	242552217	219538815
In other Account	0	0
Total of I, II	**264790678**	**242249419**

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SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

(₹000 omitted)

		As on 31.03.16		As on 31.03.15
I. In India				
(i) Balances with Banks				
a) In Current Accounts	22938001		9310154	
b) In Other Deposit Accounts	82369390	**105307391**	60365823	**69675977**
(ii) Money at Call and Short Notice				
a) with Banks	0		0	
b) with Other Institutions	0	**0**	0	**0**
TOTAL		**105307391**		**69675977**
II. Outside India				
(i) Balances with Banks				
a) In Current Accounts	8569635		14558828	
b) In Other Deposit Accounts	352873196		232857496	
(ii) Money at Call & Short Notice	4690000		0	
TOTAL		**366132831**		**247416324**
GRAND TOTAL of I, II		**471440222**		**317092301**

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SCHEDULE 8 - INVESTMENTS

(₹000 omitted)

	As on 31.03.16	As on 31.03.15
I. Investments in India : Gross	1535050431	1478175806
Less: Provision for Depreciation	9606405	6034377
Net Investment in India	**1525444026**	**1472141429**
(i) Government Securities	1249505557	1239537975
(ii) Other Approved Securities	1883020	1878450
(iii) Shares	45333251	36025868
(iv) Debentures and Bonds	188658858	147972210
(v) Subsidiaries and/or joint ventures (including sponsored institutions)	7532699	6060059
(vi) Others Various Mutual Funds & Commercial Papers etc.	32530641	40666867
TOTAL of I	**1525444026**	**1472141429**
II. Investments Outside India : Gross	53014899	26628111
Less: Provision for depreciation	0	0
Net Investments outside India	**53014899**	**26628111**
(i) Govt. securities including local authorities	15454761	0
(ii) Subsidiary and / or Joint ventures abroad	15516110	14850510
(iii) Others	22044028	11777601
TOTAL of II	**53014899**	**26628111**
GRAND TOTAL of I, II	**1578458925**	**1498769540**

PUNJAB NATIONAL BANK

SCHEDULE 9 - ADVANCES

(₹000 omitted)

	As on 31.03.16	As on 31.03.15
A (i) Bills purchased and discounted	300905923	294697909
(ii) Cash Credits, Overdrafts & Loans repayable on demand	2338102826	1967503725
(iii) Term Loans	1484249251	1543142418
Total	**4123258000**	**3805344052**
B (i) Secured by tangible assets (Includes advances against Book Debts)	3731505914	3378134452
(ii) Covered by Bank/Government guarantees	101007144	203379547
(iii) Unsecured	290744942	223830053
Total	**4123258000**	**3805344052**
C (I) Advances in India		
(i) Priority Sector	1393954904	1382371388
(ii) Public Sector	189099143	193428281
(iii) Banks	3138	516763
(iv) Others	2010939517	1704677287
Total	**3593996702**	**3280993719**
C(II) Advances outside India		
(i) Due from Banks	321113463	400216590
(ii) **Due from Others**		
(a) Bills Purchased & Discounted	5310147	4456084
(b) Syndicated Loans	10107862	8195974
(c) Others	192729826	111481685
Total	**529261298**	**524350333**
GRAND TOTAL (Total of I & II)	**4123258000**	**3805344052**

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MUMBAI 101794 W

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SCHEDULE 10 - FIXED ASSETS

(₹000 omitted)

		As on 31.03.16		As on 31.03.15
A TANGIBLE ASSETS				
I. Premises				
At cost / valuation as on 31st March of the preceding year	28620221		27957749	
Addition during the period	1698879		662472	
Add: Revaluation during the year	14778569			
	45097669		**28620221**	
Deduction during the year	0		0	
	45097669		**28620221**	
Depreciation to date (Including on revalued amount)	4371867	**40725802**	4021804	**24598417**
II. Other Fixed Assets (Including Furniture & Fixtures)				
At cost as on 31st March of the preceding year	34903685		31322636	
Addition during the year	4814124		4250933	
	39717809		**35573569**	
Deduction during the year	2802740		669884	
	36915069		**34903685**	
Depreciation to date	26352729	**10562340**	24870953	**10032732**
III Leased Assets				
At cost as on 31st March of the preceding year	252386		252386	
	252386		**252386**	
Addition/adjustment during the year	0		0	
Deduction during the year	0		0	
	252386		**252386**	
Amortisation / lease adjustment to date	252386	**0**	252386	**0**
Total of I, II, III		**51288142**		**34631149**
B INTANGIBLE ASSETS				
Computer Software				
At cost as on 31st March of the preceding year	3252893		2876267	
Addition during the period	410971		377741	
	3663864		**3254008**	
Deduction during the year	415		1115	
	3663449		**3252893**	
Amortised to date	2724303		2369286	
Total		**939146**		**883607**
GRAND TOTAL (A+B)		**52227288**		**35514756**

PUNJAB NATIONAL BANK

SCHEDULE 11 - OTHER ASSETS (₹000 omitted)

	As on 31.03.16	As on 31.03.15
I. Interest accrued	45989390	41762943
II. Tax paid in advance / tax deducted at source	15362610	14332449
III. Stationery and stamps	93337	93640
IV. Non-banking assets acquired in satisfaction of claims	277626	239762
V. Deferred tax asset (net)	46174739	14848503
VI. Others	75831739	63088595
Total of I, II, III, IV, V, VI	**183729441**	**134365892**

SCHEDULE 12 - CONTINGENT LIABILITIES

	As on 31.03.16	As on 31.03.15
I (i) Claims against the Bank not acknowledged as debts	2310441	1883435
(ii) Disputed income tax and interest tax demands under appeals, references etc.	11557896	10562109
II. Liability for partly paid investments	115	1530121
III. Liability on account of outstanding forward exchange contracts	2556585121	1864200405
IV. Guarantees given on behalf of constituents:		
(a) In India	324802331	289516763
(b) Outside India	136191530	149675283
V. Acceptances, endorsements and other obligations	319518652	413621985
VI. Other items for which the Bank is contingently liable	6993138	8463748
Total of I, II, III, IV, V, VI	**3357959224**	**2739453849**

PUNJAB NATIONAL BANK

SCHEDULE 13 - INTEREST EARNED

(₹000 omitted)

		Year Ended 31.03.16	Year Ended 31.03.15
I.	Interest/discount on advances/bills	344455374	347943826
II.	Income on Investments	120336525	105999859
III.	Interest on balances with Reserve Bank of India and other Inter-Bank funds	7305026	6322523
IV.	Others	2146574	2887419
	Total of I, II, III, IV	**474243499**	**463153627**

SCHEDULE 14 - OTHER INCOME

			Year Ended 31.03.16		Year Ended 31.03.15
I.	Commission, Exchange and Brokerage		27873534		27448818
II.	Profit on sale of Investments	9405999		11939697	
	Less: Loss on sale of Investments	2144962	7261037	1712353	10227344
III.	Dividend Income from Units of Mutual Fund/ Income on redemption of Units		3508059		3340305
IV.	Profit on revaluation of Investments	0		0	
	Less: Loss on revaluation of Investments/ Amortisation	0	0	0	0
V.	Profit on sale of land, buildings and other assets	31507		29630	
	Less: Loss on sale of land, buildings and other assets	6502	25005	3450	26180
VI.	Profit on exchange transactions	15195893		14056133	
	Less: Loss on exchange transactions	10926983	4268910	9074104	4982029
VII.	Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures in India & abroad.		383408		350291
VIII.	Miscellaneous Income		25450264		12532352
	Total of I, II, III, IV, V, VI, VII & VIII		**68770217**		**58907319**

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SCHEDULE 15 - INTEREST EXPENDED

(₹000 omitted)

		Year Ended 31.03.16	Year Ended 31.03.15
I.	Interest on Deposits	298025714	276213386
II.	Interest on Reserve Bank of India/ inter-bank borrowings	2502097	5669885
III.	Others	20597909	15714669
	Total of I, II, III	**321125720**	**297597940**

SCHEDULE 16 - OPERATING EXPENSES

			Year Ended 31.03.16		Year Ended 31.03.15
I.	Payments to and Provisions for employees		64259453		73369062
II.	Rent, Taxes and Lighting		6258066		5469570
III.	Printing and Stationery		845261		801261
IV.	Advertisement and Publicity		548490		361747
V.	Depreciation/Amortisation on Bank's property	4163580		3908570	
	Less: Adjusted with Revaluation Reserve	206289		206289	
			3957291		3702281
VI.	Directors' fees, allowances and expenses		14170		12632
VII.	Auditors' fees and expenses		688166		535178
VIII.	Law Charges		612675		431923
IX.	Postage, Telegrams, Telephones, etc.		1426920		1228903
X.	Repairs and Maintenance		2189965		1959118
XI.	Insurance		5138774		4532659
XII.	Other expenditure		13785312		12511143
	Total of I to XII		**99724543**		**104915477**

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SCHEDULE 17 (SOLO)

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION:

The financial statements have been prepared on historical cost basis and conform, in all material aspects, to Generally Accepted Accounting Principles (GAAP) in India unless otherwise stated encompassing applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Banking Regulation Act 1949, Accounting Standards (AS) and pronouncements issued by The Institute of Chartered Accountants of India (ICAI) and prevailing practices in Banking industry in India.

In respect of foreign offices, statutory provisions and practices prevailing in respective foreign countries are complied with except as specified elsewhere.

The financial statements have been prepared on going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated

2. Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

Future results could differ from these estimates.

Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

Any revision to the accounting estimates is recognised prospectively in the current and future periods unless otherwise stated.

3. REVENUE RECOGNITION

3.1 Income & expenditure (other than items referred to in paragraph 3.5) are generally accounted for on accrual basis.

3.2 Income from Non- Performing Assets (NPAs), comprising of advances, and investments, is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices (hereafter collectively referred to as Regulatory Authorities).

3.3 Recoveries in NPA accounts (irrespective of the mode / status / stage of recovery actions) are appropriated in the following order of priority : -

a) Expenditure/out of pocket expenses incurred for recovery (earlier recorded in memorandum dues);
b) Principal irregularities i.e. NPA outstanding in the account.
c) Towards the interest irregularities/accrued interest.

3.4 The sale of NPA is accounted as per guidelines prescribed by RBI and as disclosed under Para 5.4.

3.5 Commission (excluding on Government Business), interest on overdue bills, exchange, locker rent, income from merchant banking transactions and dividend income, Income on Rupee Derivatives designated as "Trading" are accounted for on realization and insurance claims are accounted for on settlement.

3.6 In case of suit filed accounts, related legal and other expenses incurred are charged to Profit & Loss Account and on recovery the same are accounted for as such.

3.7 Income from interest on refund of income tax is accounted for in the year the order is passed by the concerned authority.

3.8 Lease payments including cost escalation for assets taken on operating lease are recognised in the Profit and Loss Account over the lease term in accordance with the AS 19 (Leases) issued by ICAI.

3.9 Provision for Reward Points on Debit/Credit cards is made based on the accumulated outstanding points in each category.

3.10 Interest on unpaid and unclaimed matured term deposits is accounted for at savings bank rate.

4. INVESTMENTS

4.1 The transactions in Securities are recorded on "Settlement Date".

4.2 Investments are classified into six categories as stipulated in form A of the third schedule to the Banking Regulation Act, 1949.

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4.3 Investments have been categorized into "Held to Maturity", "Available for Sale" and "Held for Trading" in terms of RBI guidelines as under:

(a) Securities acquired by the Bank with an intention to hold till maturity are classified under "Held to Maturity".

(b) The securities acquired by the Bank with an intention to trade by taking advantages of short-term price/ interest rate movements are classified under "Held for Trading".

(c) The securities, which do not fall within the above two categories, are classified under "Available for Sale"

4.4 **Investments in subsidiaries, joint ventures and associates are classified as HTM.**

4.5 Transfer of securities from one category to another is carried out at the lower of acquisition cost/ book value/ market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for.

However, transfer of securities from HTM category to AFS category is carried out on book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

4.6 In determining acquisition cost of an investment

a. Brokerage / commission received on subscription is deducted from the cost of securities.

b. Brokerage, commission, Securities Transaction Tax (STT) etc. paid in connection with acquisition of securities are treated as revenue expenses upfront and excluded from cost.

c. Interest accrued up to the date of acquisition/sale of securities i.e. broken — period interest is excluded from the acquisition cost/sale consideration and the same is accounted in interest accrued but not due account.

d. Cost is determined on the weighted average cost method for all categories of investments.

4.7 Investments are valued as per RBI/ FIMMDA guidelines, on the following basis:

Held to Maturity

i) Investments under "Held to Maturity "category are carried at acquisition cost.

Wherever the book value is higher than the face value/redemption value, the premium is amortized over the remaining period to maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments".

ii) Investments in subsidiaries/joint ventures/associates are valued at carrying cost less diminution, other than temporary in nature for each investment individually.

iii) Investments in sponsored regional rural banks are valued at carrying cost.

iv) Investment in Venture Capital is valued at carrying cost.

v) Equity shares held in HTM category are valued at carrying cost.

Available for Sale and Held for Trading

a)	**Govt. Securities**	
	I Central Govt. Securities	At market prices/YTM as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)
	II State Govt. Securities	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines.
b)	Securities guaranteed by Central / State Government, PSU Bonds (not in the nature of advances)	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines
c)	Treasury Bills	At carrying cost
d)	Equity shares	At market price, if quoted, otherwise at break up value of the Shares as per latest Balance Sheet (not more than one year old), otherwise at Re.1 per company
e)	Preference shares	At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per RBI/FIMMDA guidelines.
f)	Bonds and debentures (not in the nature of advances)	At market price, if quoted, or on appropriate yield to maturity basis as per RBI/FIMMDA guidelines.

g)	Units of mutual funds	As per stock exchange quotation, if quoted; at repurchase price/NAV, if unquoted
h)	Commercial Paper	At carrying cost
i)	Certificate of Deposits	At carrying cost
j)	Security receipts of ARCIL	At net asset value of the asset as declared by ARCIL
k)	Venture Capital Funds	At net asset value (NAV) declared by the VCF
l)	Other Investments	At carrying cost less diminution in value

The above valuation in category of Available for Sale and Held for Trading is done scrip wise on quarterly basis and depreciation/appreciation is aggregated for each classification. Net depreciation for each classification, if any, is provided for while net appreciation is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

4.8 Investments are subject to appropriate provisioning/ de-recognition of income, in line with the prudential norms of Reserve Bank of India for NPI classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities. For NPI in preference share, debentures and bonds, in addition to valuation as above, further provision is made on Sub-standard and Doubtful assets as per NPA provisioning norms.

If any credit facility availed by an entity is NPA in the books of the Bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa. However, in respect of NPI preference share where the dividend is not paid, the corresponding credit facility is not treated as NPA.

4.9 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of investments in "Held to Maturity" category, an equivalent amount (net of taxes and amount required to be transferred to Statutory Reserve) is appropriated to "Capital Reserve Account"

4.10 Securities repurchased/resold under buy back arrangement are accounted for at original cost.

4.11 The derivatives transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market. As per RBI guidelines, different categories of swaps are valued as under: -

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Hedge Swaps
Interest rate swaps which hedge interest bearing asset or liability are accounted for on accrual basis except the swaps designated with an asset or liability that are carried at market value or lower of cost in the financial statement.

Gain or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset/ liabilities.

Trading Swaps
Trading swap transactions are marked to market with changes recorded in the financial statements.

Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

4.12 Foreign currency options
Foreign currency options written by the bank with a back-to-back contract with another bank are not marked to market since there is no market risk.

Premium received is held as a liability and transferred to the Profit and Loss Account on maturity/cancellation.

5. LOANS / ADVANCES AND PROVISIONS THEREON:

5.1 Advances are classified as performing and non-performing assets; provisions are made in accordance with prudential norms prescribed by RBI.

5.1 (a) Advances are classified : Standard, Sub Standard, Doubtful and Loss assets borrower wise.

5.1(b) Advances are stated net of specific loan loss provisions, provision for diminution in fair value of restructured advances.

5.2 In respect of foreign offices, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

Loans and advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country.

5.3 Financial Assets sold are recognized as under:

(a) *For Sale of financial assets sold to SCs/RCs*

(i) If the sale to SCs/RCs is at a price below the Net Book Value (NBV), the short fall should be debited to the Profit & Loss account of that year. Bank can also use countercyclical / floating provisions for meeting the shortfall on sale of NPAs i.e when the sale is at a price below the NBV. However, for assets sold on or after 26.02.2014 and upto 31.03.2016, as incentive for early sale of NPAs, bank can spread over any shortfall, if the sale value is lower than the NBV, over a period of two years. This facility of spreading over the shortfall will be subject to necessary disclosures in the Notes to Accounts in Annual Financial Statements of the Bank.

(ii) If the sale is for a value higher than the NBV, Bank can reverse the excess provision on sale of NPAs to its profit and loss account in the year, the amounts are received. However, Bank can reverse excess provision (when the sale is for a value higher than the NBV) arising out of sale of NPAs, only when the cash received (by way of initial consideration and/or redemption of SRs/PTCs) is higher than the NBV of the asset. Further, reversal of excess provision will be limited to the extent to which cash received exceeds the NBV of the asset.

(b) *For Sale of financial assets sold to Other Banks/NBFCs/FIs etc.*

(i) In case the sale is at a price below the Net Book Value (NBV) i.e. Book Value less provision held, the shortfall should be debited to the Profit & Loss A/c of that year.

(ii) In case the sale is for a value higher than the Net Book Value (NBV) i.e. Book Value less provision held, the excess provision shall not be reversed but will be utilized to meet the shortfall/loss on account of sale of other NPAs.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

5.4 For restructured/rescheduled advances, provisions are made in accordance with guidelines issued by RBI.

In respect of non-performing loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

5.5 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions – Others" and are not considered for arriving at the Net NPAs.

5.6 In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ` 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

5.7 Provision for Country Exposure:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the "Other liabilities & Provisions – Others".

6. FIXED ASSETS

6.1 Fixed assets are stated at historical cost less accumulated depreciation/amortisation, wherever applicable, except those premises, which have been revalued. The appreciation on revaluation is credited to revaluation reserve and incremental depreciation attributable to the revalued amount is deducted therefrom.

6.2 Software is capitalized and clubbed under Intangible assets.

6.3 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset till the time of capitalization. Subsequent expenditure/s incurred on the assets are capitalised only when it increases the future benefits from such assets or their functioning capability.

6.4 DEPRECIATION

A. Depreciation on assets (including land where value is not separable) is provided on straight-line method based on estimated life of the asset, except in respect of computers where it is calculated on the straight-line method, at the rates prescribed by RBI.

B. Depreciation on assets has been provided at the rates furnished below:-

Particulars	**Rate of Depreciation**
Land acquired on perpetual lease where no lease period is mentioned	Nil
Land acquired on lease where lease period is mentioned	Over lease period
Building	
• Constructed on free hold land and on leased land, where lease period is above 40 years	2.50%
• Constructed on leased land where lease period is below 40 years.	Over lease period
Built-up Assets taken over from erstwhile New Bank of India & Nedungadi Bank Ltd	4.00%
Furniture and fixtures- Steel articles	5.00%
Furniture and fixtures-wooden articles	10.00%
Mattresses	20.00%
Mobile Phone Instruments	33.33%
Machinery, electrical and miscellaneous articles	15.00%
Motor cars and cycles	15.00%
Computers, ATMs and related items, laptop, i pad	33.33%
Computer Application Software – Intangible Assets	
- Up to Rs. 5,000	Charged to Revenue
- Others	20.00%

C. Depreciation on fresh additions to assets other than bank's own premises is provided from the month in which the assets are put to use and in the case of assets sold/disposed off during the year, up to the month preceding the month in which it is sold/ disposed off.

D. The depreciation on bank's own premises existing at the close of the year is charged for full year. The construction cost is depreciated only when the building is complete in all respects. Where the cost of land and building cannot be separately ascertained, depreciation is provided on the composite cost, at the rate applicable to buildings.

E. In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year(s).

7. IMPAIRMENT OF ASSETS

The carrying costs of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors.

An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, if any, depreciation is provided on the revised carrying cost of the asset over its remaining useful life.

A previously recognized impairment loss is increased or reversed depending on changes in circumstances.

However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

8. EMPLOYMENT BENEFITS

- **PROVIDENT FUND:**

Provident fund is a defined contribution scheme as the Bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contribution are charged to Profit & Loss A/c.

- **GRATUITY:**

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

- **PENSION:**

Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

The Bank operates a New Pension Scheme (NPS) for all officers/ employees joining the Bank on or after 01.04.2010. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the

Bank. Pending completion of registration procedures of the employees concerned, these contributions are retained. The Bank recognizes such annual contributions and interest as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

- **COMPENSATED ABSENCES:**

Accumulating compensated absences such as Privilege Leave (PL) and Sick Leave (including unavailed casual leave) are provided for based on actuarial valuation.

- **OTHER EMPLOYEE BENEFITS:**

Other Employee Benefits such as Leave Fare Concession (LFC), Silver Jubilee Award, etc. are provided for based on actuarial valuation.

In respect of overseas branches and offices, the benefits in respect of employees other than those on deputation are valued and accounted for as per laws prevailing in the respective countries

9. TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS & BALANCES:

Transactions involving foreign exchange are accounted for in accordance with AS 11, "The Effect of Changes in Foreign Exchange Rates".

9.1 Except advances of erstwhile London branches which are accounted for at the exchange rate prevailing on the date of parking in India, all other monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are initially recorded at a notional rate and translated in Indian Rupee equivalent at the exchange rates prevailing as on the Balance Sheet date as per Foreign Exchange Dealers' Association of India (FEDAI) guidelines.

9.2 Non-monetary items other than fixed assets which are carried at historical cost are translated at exchange rate prevailing on the date of transaction.

9.3 Outstanding Forward exchange spot and forward contracts are translated as on the Balance Sheet date at the rates notified by FEDAI and the resultant gain/loss on translation is taken to Profit & Loss Account.

Foreign exchange spot/forward contracts/deals (Merchant and Inter-bank) which are not intended for trading/Merchant Hedge and are outstanding on the Balance Sheet date, are reverse re-valued at the closing FEDAI spot/forward rate in order to remove revaluation effect on exchange profit. The premium or discount arising at the inception of such a forward exchange contract is amortised as interest expense or income over the life of the contract.

9.4 Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the Profit and Loss Account.

9.5 Offices outside India / Offshore Banking Units:

i. Operations of foreign branches and off shore banking unit are classified as "Non-integral foreign operations" and operations of representative offices abroad are classified as "integral foreign operations"
ii. Foreign currency transactions of integral foreign operations and non-integral foreign operations are accounted for as prescribed by AS-11.
iii. Exchange Fluctuation resulting into Profit / loss of non-integral operations is credited /debited to Exchange Fluctuation Reserve.

10. TAXES ON INCOME

11.

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively after taking into account taxes paid at the foreign offices, which are based on the tax laws of respective jurisdictions.

Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgment as to whether their realisation is considered as reasonably/virtually certain.

12. Earnings per Share:

The Bank reports basic and diluted earnings per share in accordance with AS 20 -'Earnings per Share' issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

13. Provisions, Contingent Liabilities and Contingent Assets:

- In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

- Provision for reward points in relation to the debit card holders of the Bank is being provided for on actuarial estimates.
- Contingent Assets are not recognised in the financial statements.

14. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold, which is treated as deposits/advances as the case may be with the interest paid / received classified as interest expense/income.

15. Segment Reporting

The Bank recognizes the Business segment as the Primary reporting segment and Geographical segment as the Secondary reporting segment, in accordance with the RBI guidelines and in compliance with the Accounting Standard 17 issued by ICAI.

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SHAH GUPTA & CO. MUMBAI 109574 W Chartered Accountants | CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants | N. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS | HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants | SURI & CO. Chennai 004283 S Chartered Accountants | S.P.M.G. & COMPANY New Delhi 509249 C Chartered Accountants

PUNJAB NATIONAL BANK
SCHEDULE 18 (SOLO)
NOTES TO ACCOUNTS (31.03.2016)

1. Capital

(₹ in Crore)

Sl. No	Particulars	31.03.2016	31.03.2015
i.	Common equity Tier 1 Capital ratio (%)*	7.87	8.74
ii.	Tier 1 Capital ratio (%)*	8.41	9.30
iii.	Tier 2 Capital ratio (%)*	2.87	2.91
iv.	Total Capital ratio (CRAR) (%)*	11.28	12.21
v.	Percentage of the shareholding of the Government of India in the Bank	62.08%	59.86%
vi.	Amount of equity Capital raised	21.81	8.84
vii.	Amount of Additional Tier 1 Capital raised; *of which :*	NIL	1500.00
	Perpetual Non- Cumulative Preference Shares(PNCPS):	NIL	NIL
	Perpetual Debt Instruments (PDI):	NIL	1500.00
viii.	Amount of Tier 2 Capital raised; *of which* :	1500.00	2000.00
	Debt Capital instrument:	1500.00	2000.00
	Preference Share Capital Instruments:[Perpetual Cumulative Preference Shares (PCPS / Redeemable Non- Cumulative Preference Shares (RNCPS) /Redeemable Cumulative Preference Shares (RCPS)]	NA	NIL

* Information given in 1 (i to iv) has been given as per Basel III Capital Regulations.

2. Investments

(₹ in Crore)

	Particulars	31.03.2016	31.03.2015
(1)	**Value of Investments**		
i	Gross value of Investments	158806.54	151885.78
a	In India	153505.04	149222.97
b	Outside India	5301.50	2662.81
ii	Provisions for Depreciation	960.64	603.44
a	In India	960.64	603.44
b	Outside India	0.00	0.00
iii	Net value of Investments	157845.90	151282.35
a	In India	152544.40	148619.53

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SPMG & COMPANY New Delhi 509249 C Chartered Accountants

b	Outside India	5301.50	2662.82
(2)	**Movement of provisions held towards depreciation on investments.**		
i	Opening balance	603.44	1188.99
ii	Add: Provisions made during the year	762.21	0.00
iii	Less: Write-off/ write-back of excess provisions during the year (Net).	**405.01**	585.55
iv	Closing balance	960.64	603.44

3. Repo Transactions (in face value terms)

(₹. in Crore)

Face Value	Minimum outstanding during the year ended 31.03.2016	Maximum outstanding during the year ended 31.03.2016	Daily Average outstand-ing during the year ended 31.03.2016	Outstanding as on 31.03.2016
Securities sold under repo				
(i) Government Securities	0.00 (0.00	16175.00 (9658.00)	824.72 (1937.25)	16175.00 (0.00)
(ii) Corporate Debt Securities	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Securities purchased under reverse repo				
(i) Government Securities	0.00 (0.00)	12163.42 (11083.25)	3961.85 (3289.99)	2000.00 (2570.00)
(ii) Corporate Debt Securities	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)

(Figures in brackets relate to previous year)

4. Non-SLR Investment Portfolio

4a. Issuer composition of Non SLR investments

As on 31.03.2016
(₹ in Crore)

Sr.No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	8628.60 (8174.95)	NIL (NIL)	NIL (NIL)	NIL (1476.17)	NIL (NIL)
(ii)	FIs	10832.29 (6153.76)	27.00 (28.00)	NIL (NIL)	NIL (NIL)	51.74 (76.62)
(iii)	Banks	3695.76 (4794.77)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)

(iv)	Private Corporates	5491.45 (4385.73)	50.00 (50.00)	NIL (NIL)	1.5 (3.07)	343.38 (303.09)
(v)	Subsidiaries / Joint Ventures	2305.14 (2091.35)	NIL (NIL)	NIL (NIL)	NIL (NIL)	433.95 (367.39)
(vi)	Others*	6942.95 (2903.70)	NIL (NIL)	NIL (NIL)	0.70 (1.96)	0.70 (28.21)
(vii)	Provisions held towards depreciation.	-960.57 (-354.32)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
	Total	**36935.62 (28149.94)**	**77.00 (78.00)**	**NIL (NIL)**	**2.20 (1481.20)**	**829.77 (775.31)**

(Figures in brackets relate to previous year)
*Others include Special Govt. Securities of ₹ 5774.07 crore (Net of depreciation, if any) shown under Govt. Securities in Schedule 8. Amounts reported under columns 4, 5, 6 and 7 above may not be mutually exclusive.

4b. Non-performing Non-SLR investments

(₹ in Crore)

Particulars	**31.03.2016**	**31.03.2015**
Opening balance	297.76	144.94
Additions during the year	275.70	165.60
Reductions during the year	57.05	12.78
Closing balance	516.41	297.76
Total provisions held	267.00	250.41

4c. Sale and transfers to / from HTM category

The total value of sales and transfers of securities to / from HTM category during 1st April 2015 to 31st March, 2016 has not exceeded 5% of the book value of investments held in HTM category as on 31.03.2015.

{The 5 percent threshold referred to above will exclude (a) the one- time transfer of securities to/ from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the beginning of the accounting year (b) sales to the Reserve Bank of India under pre-announced OMO auctions, (c) Repurchase of Government Securities by Government of India from banks, (d) Sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM at the beginning of April, July, September 2015 and January 2016, in addition to the shifting permitted at the beginning of the accounting year, i.e. April, 2015}

As such no disclosure is to be made in terms of extant RBI guidelines.

5.Derivatives

5a. Forward Rate Agreement/ Interest Rate Swap

(₹ in Crore)

	Particulars	31.03.2016	31.03.2015
i	The notional principal of swap agreements	1197.44**	1822.44**
ii	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	9.35	4.42
iii	Collateral required by the bank upon entering into swaps	Nil	Nil
iv	Concentration of credit risk arising from the Swaps*	Nil	Nil
v	The fair value of the swap book**	(-)0.1291	(-)13.8249

**Out of which Rs 47.44 crores are back to back deals with financial institutions.

5b.Exchange Traded Interest Rate Derivatives

(₹ in Crore)

Sl. No.	Particulars	31.03.2016	31.03.2015
(i)	Notional Principal amount of exchange traded interest rate derivatives undertaken during the period April, 2015 to March, 2016 (instrument-wise) a) Interest rate futures	75.88	356.20
(ii)	Notional Principal amount of exchange traded interest rate derivatives outstanding as on 31st March, 2016 (instrument-wise)	NIL	NIL
(iii)	Notional Principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument-wise)	NIL	NIL
(iv)	Mark-to-Market value of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument-wise)	NIL	NIL

5c.Disclosure on risk exposure in derivatives

I - Qualitative Disclosure

1. Bank discusses their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion also include :

   a. The structure and organization for management of risk in derivative trading.
   b. The scope and nature of risk measurement, risk reporting and risk monitoring systems.
   c. Policies for hedging and/or mitigating risks and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants; and
   d. Accounting policy for recording hedge and non-hedge transactions are in place, which includes recognition of income, premiums and discounts. Valuation of outstanding contracts, provisioning, collateral and credit risk mitigation.

II - Quantitative Disclosure (Amt. ₹ in Crore)

Sl. No.	Particulars	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
		31.03.2016	**31.03.2016**	**31.03.2015**	**31.03.2015**
1	Derivatives (Notional Principal Amount)				
(a)	For Hedging	0.00	0.00	0.00	0.00
(b)	For trading*	0.00	1197.44	207.57	1822.44
2	Marked to Market Position				
	Hedging				
	a) Asset (+)	0.00	0.00	0.00	
	b) Liability (-)	0.00	(-)0.1291	-0.55	-13.82
	Trading				
	a) Asset (+)				
	b) Liability (-)				
3	Credit Exposure	0.00	22.7227	0.00	25.66
4	Likely impact of one percentage change in interest rate (100*PV01)				
(a)	On hedging derivatives	0.00	0.00	0.00	0.00
(b)	On trading derivatives	0.00		0.00	-0.12
5	Maximum and Minimum of 100*PV01 observed during the period				
(a)	On hedging Maximum	0.00	0.00	0.00	0.00
	Minimum	0.00	0.00		0.00
(b)	On trading Maximum	0.00	0.01		0.03
	Minimum	0.00	0.00		0.00

*Out of which Rs 47.44 crores are back to back deals with financial institutions.

6. Asset Quality

6a Non-Performing Assets (₹. in Crore)

	Particulars	31.03.2016	31.03.2015
i)	Net NPAs to Net Advances (%)	8.61%	4.06%
ii)	Movement of NPAs (Gross)		
	Opening balance	25694.86	18880.06
	Additions during the year	42251.80	16659.56
	Reductions during the year	12128.33	9844.76
	Closing balance	55818.33	25694.86
iii)	Movement of Net NPAs		
	Opening balance	15396.50	9916.99
	Additions during the year	24553.78	11550.97
	Reductions during the year	4527.72	6071.46

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	Closing balance	35422.56	15396.50
iv)	Movement of provision for NPAs (excluding provisions on Standard assets)		
	Opening balance	9801.76	8737.16
	Provisions made during the year (Gross)	18145.19	9159.91
	Write-off/write back of excess provision	8092.52	8095.31
	Closing balance	19854.43	9801.76

Disclosure of Restructured Accounts (As on31.03.2016) as per revised guidelines

(Rs. in Lacs')

Sl No	Type of Restructuring -> / Asset Classification -> / Details		Under CDR Mechanism: Standard	Sub-Stand-ard	Doubtful	Loss	Total	Under SME Debt Restructuring Mechanism: Standard	Sub-Stand-ard	Doubtful	Loss	Total	Others: Standard	Sub-Stand-ard	Doubtful	Loss	Total	Total: Standard	Sub-Stand-ard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY 2015-16(Opening figures)*	No. of borrowers	80	21	6	1	108	379	11	1	0	391	233	4	0	0	237	892	36	7	1	736
		Amount outstanding	1464468.01	306385.34	67240.97	1705.67	1839799.99	127417.10	5477.84	220.21	0	133115.15	2239655.70	21339.29	0.00	0	2260994.99	3831540.81	333202.47	67461.19	1705.67	4233910.13
		Provision thereon	303258.65	61338.67	11316.97	0.00	375916.49	12385.20	161.17	99.23	0	12645.60	212198.47	3110.04	0.00	0	215308.51	527842.52	64609.88	11418.20	0.00	603870.60
2	Fresh restructuring during the year (plus addition in o/s in existing a/cs)	No. of borrowers	0	0	1	0	1	35	8	2	0	45	28	1	0	0	29	63	9	3	0	75
		Amount outstanding	20683.74	55297.18	24321.64	0.00	100302.56	71915.48*	6776.60	2710.84	0	81403.12	185447.66**	16162.13	0.00	0	201609.79	278046.69	78236.11	27032.48	0.00	383315.47
		Provision thereon	0.00	0.00	726.24	0.00	726.24	10263.78	1842.26	478.00	0	12584.02	17157.09	0.94	0.00	0	17158.03	27420.85	1843.20	1204.24	0.00	30468.29
3	Upgradations to restructured standard category during the FY15-16	No. of borrowers	0	1	-1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	-1	0	0
		Amount outstanding	0.00	2566.67	-2566.67	0.00	0	0.00	0.00	0.00	0	0	0.00	0.00	0	0	0.00	0.00	2566.67	-2566.67	0.00	0.00
		Provision thereon	0.00	361.12	-361.12	0.00	0	0.00	0.00	0.00	0	0	0.00	0	0	0	0	0.00	361.12	-361.12	0.00	0.00
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 15-16 and hence need not be shown restructured standard advances at the beginning of the next FY	No. of borrowers	0	0	0	0	0	-169	0.00	0	8	-169	-25	0	0	0	-25	-194	0	0	0	-184
		Amount outstanding	0.00	0	0	0	0	-30276.33	0.00	0.00	0	-30278.33	-579708.82	0	0	0	-579708.82	-609987.15	0.00	0.00	0.00	-609987.15
		Provision thereon	0	0	0	0	0	-1718.60	0.00	0.00	0	-1718.60	-20591.63	0	0	0	-20591.63	-22310.23	0.00	0.00	0.00	-22310.23
5	Downgradations of restructured accounts during the FY-15-16	No. of borrowers	-31	18	14	1	2	-66	66	0.00	0	0	-52	49	3	0	0	-149	133	17	1	2
		Amount outstanding	-681705.46	364558.48	311586.09	8464.24	2903.35	-40157.23	40157.23	0.00	0	0	-516996.32	497414.08	19582.24	0	0.00	-1238859.01	902129.79	331168.33	8464.24	2903.35
		Provision thereon	-142554.18	77813.65	64914.32	9.37	283.18	-3803.16	3603.16	0.00	0	0	-84462.94	60826.06	3836.88		0.00	-210820.26	142542.87	68551.20	9.37	283.18
6	Write-offs /Closure/recovery/exit of restructured accounts during the FY15-16	No. of borrowers	-8	-14	-4	-1	-27	-60	-78	-1	0	-137	-45	-35	0	0	-83	-113	-128	-5	-1	-247
		Amount outstanding	-151493.75	-190064.18	-62046.68	-1849.17	-405453.96	-10757.11*	-44664.90	-220.21	0	-55662.22	-84111.95**	-267329.04	-113.97	0	-351554.96	-246362.81	-502078.10	-62381.06	-1849.17	-812671.14
		Provision thereon	-52798.31	-62237.69	-39961.77	-9.37	-155007.14	-1005.49	-3920.34	-99.23	0	-5025.06	-12648.58	-48982.88	-628.67	0	-60260.13	-66452.38	-113140.91	-40689.67	-9.37	-220292.33
7	Restructured Acounts as on 31.03.2016 of the FY (closing figures)*	No. of borrowers	41	26	16	1	84	119	9	2	0	130	139	18	3	0	158	299	51	21	1	372
		Amount outstanding	651952.54	538,743.51	338,535.15	8320.74	1537551.94	118139.91	7726.97	2710.84	0	128577.72	1244286.27	267586.46	19468.27	0	1531341.00	2014378.72	814056.94	360714.26	8320.74	3197470.66
		Provision thereon	107906.38	77375.76	36,636.64	0	221918.77	16121.70	1886.25	478.00	0	18485.95	131652.41	16954.16	3008.21	0	151614.78	255680.49	98216.16	40122.85	0.00	392019.50

* Includes Accounts transferred from / to Non-CDR.

** Includes Accounts transferred from / to MSME.

The above information is as compiled and certified by the management.

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6c. Details of financial assets sold to Securitisation/Reconstruction Company (SC/RC) for Asset Reconstruction.

A. Details of Sales.

(₹.in Crore)

	Particulars	31.03.2016	31.03.2015
1.	No. of Accounts	15	2
2.	Aggregate value (net of provisions) of accounts sold to SC/RC	734.06	53.11
3.	Aggregate consideration	1180.11	73.15
4.	Additional consideration realized in respect of accounts transferred in earlier years (During current financial year 2015-16 i.e. from 01.04.2015 to 31.03.2016)	-14.94	0.12
5.	Aggregate gain/loss over net book value(3-2)	446.05	20.04
5.1	Loss over NBV (where sale is for value below NBV)	52.28	NIL
5.2	Gain over NBV (where sale is for value above NBV)	498.33	20.04

B. Details of Book Value of Investments in Security Receipts.

(₹.in Crore)

Particulars	31.03.2016	31.03.2015
(i) Backed by NPAs sold by the bank as underlying	**1002.98***	**62.18**
(ii) Backed by NPAs sold by other banks / financial institution / non banking financial companies as underlying	**NIL**	**NIL**

*Bank has sold NPA of Rs. 262.13 Cr during FY 2015-16 (in the month of March 2016) for which the allotment is pending in demat form.

6d. Details of non-performing financial assets purchased/sold from / to other banks.

A. Details of non-performing financial assets purchased:

(₹ in Crore)

	Particulars	31.03.2016	31.03.2015
1	(a) No. of accounts purchased during the period	NIL	NIL
	(b) Aggregate outstanding	NIL	NIL
2	(a) Of these, number of accounts restructured during the period i.e. 01.04.2015 to 31.03.2016	NIL	NIL
	(b) Aggregate outstanding	NIL	NIL

B. Details of non-performing financial assets sold :

(₹ in Crore)

	Particulars	31.03.2016	31.03.2015
1	No. of accounts sold during the period	Nil	NIL
2	Aggregate outstanding	Nil	NIL
3	Aggregate consideration received	Nil	NIL

6e. Provisions on Standard Assets

(₹ in Crore)

Particulars	31.03.2016	31.03.2015
Cumulative Balance (included under "Other Liabilities & Provisions" in Schedule 5 to the balance sheet)	2916.00	2790.11

7.Business Ratios

	Particulars	31.03.2016	31.03.2015
i.	Interest Income as a percentage to Working Funds	7.28%	8.00%
ii.	Non-Interest Income as a percentage to Working Funds	1.06%	1.02%
iii.	Operating profit as a percentage to Working Funds	1.88%	2.06%
iv.	Return on Assets	-0.61%	0.53%
v.	Business (Deposits plus advances) per employee (₹ in Crores)	13.59	13.19
vi.	Profit per employee ((₹ in Crores)	-0.06	0.05

Note: Working Funds are based on Monthly Average.

Maturity Pattern	Next day	2 - 7days	8-14 days	15-30 days	31 days to 2 months	Over 2- to 3 months	Over 3 - 6 months	Over 6 - 1 year	Over 1- 3 Years	Over 3 - 5 Years	Over 5 Years	Total
Deposits	6338.65	10566.90	9992.80	13111.28	17818.88	21170.40	39636.15	51101.10	217458.26	6835.16	159021.55	553051.13

- As per RBI Guidelines the maturity pattern of deposits has been divided into 11 buckets previously it was 10 backets. Hence comparative figures of previous year are not mentioned.

(₹in Crore)

Maturity Pattern	Advances	Investments (gross)	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Next day	9444.69	0.63	107134.19	4280.08	1330.49
	(28786.22)	(0.53)	(13166.92)	(3793.94)	(2932.67)
2 days-7days	9303.56	1213.89	-88328.15	2845.08	2162.45
	(6426.60)	(0.00)	(5647.06)	(4174.52)	(3265.20)
8-14 days	6683.39	552.82	1164.87	7520.57	1801.37
	(5486.56)	(89.81)	(709.49)	(2677.31)	(2678.47)
15-28 days	9226.02	1487.19	1757.29	6284.93	7330.92
	(7478.22)	(503.80)	(462.12)	(5254.05)	(5765.96)
29 days to 3 months	50079.63	3711.01	6656.77	17372.55	14484.89
	(22959.55)	(4692.44)	(1134.81)	(17594.17)	(23079.05)
Over 3 Months to 6 months	28361.20	3128.55	3713.24	12314.55	13523.64
	(22757.46)	(2035.46)	(1496.98)	(25684.69)	(25197.57)
Over 6 Months to 1 year	32667.44	3815.42	6732.89	19631.32	19413.36
	(28024.53)	(2263.08)	(1876.31)	(16398.43)	(12757.93)
Over 1Year to 3 Years	189721.13	22221.51	2229.83	4412.47	1657.72
	(190170.93)	(19715.61)	(7276.88)	(11596.30)	(10335.26)
Over 3 Years to 5 Years	28443.96	21657.39	761.67	2865.81	1933.20
	(31475.60)	(23377.82)	(6519.82)	(2782.94)	(2530.81)
Over 5 Years	48394.78	101018.11	17932.64	363.46	2127.81
	(36968.73)	(99207.24)	(8304.40)	(460.09)	(2048.53)
Total	412325.80	158806.53	59755.24	77890.82	65765.85
	(380534.41)	(151885.78)	(45670.55)	(90416.44)	(90591.45)

(Figures in brackets relate to previous year). The above information is as compiled and certified by the Management.

9. Exposures:

9a. Exposure to Real Estate Sector :

(₹ in Crore)

	Category	31.03.2016	31.03.2015*
(A)	**Direct Exposure**		
i.	Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (individual housing loans up to ₹.20 lakh - ₹ 15825.28 crore as on 31.03.2016 and individual housing loans up to ₹.20 lakh- ₹ 14319.66 crore as 31.03.2015).	40794.03	41603.50
ii.	Commercial Real Estate – including NFB Limits Lending secured by mortgages on Commercial Real Estates (office buildings, retail space, multi-purpose commercial premises, industrial or warehouse space, land acquisition, development and construction etc.)	13916.00	11860.80
iii.	Investments in Mortgaged Backed Securities (MBS) and other securitized exposures -		

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(a)	- Residential	0.00	0.00
(b)	- Commercial Real Estate	0.00	0.00
(B)	**Indirect Exposure**		
	• FB & NFB Exposure to National Housing Bank (NHB) & Housing Finance Companies (HFCs) **31.03.2016**: **₹ 8970.85 Crore** / **31.03.2015**: ₹ 7658.50 Crores • Investments made by the Bank in Housing Companies & Corporations. **31.03.2016**: **₹ 6314.94Crore** / **31.03.2015**: ₹ 3769.09 Crores	15285.79	11427.59
	Total Exposure to Real Estate Sector	**69995.82**	**64891.89**

- Figures of previous period i.e. 31.03.2015 were reported on the basis of outstanding balance, whereas the figures for current period 31.03.2016 are on the basis of exposure.

9b.Exposure to Capital Market

(₹ in Crore)

Particulars		31.03.2016	31.03.2015
1.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	4149.68	3020.17
2.	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs) convertible bonds, convertible debentures, and units of equity oriented mutual funds.	3.60	3.67
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	396.67	435.64
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances.	1016.97	358.31
5.	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers.	459.61	588.16
6.	Loans sanctioned to corporate against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	NIL	NIL
7.	Bridge loans to companies against expected equity flows/issues.	NIL	NIL

8.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	NIL	NIL
9.	Financing to stock brokers for margin trading	NIL	NIL
10.	All exposures to Venture Capital funds (both registered and unregistered)	331.22	416.28
11.	Advances to Mutual Funds	2451.35	1000.00
	Total Exposure to Capital Market	**8809.10**	5822.23

9c.Risk Category wise Country Exposure

Total Net Funded Exposure as on 31.03.2016 is ₹. 62756.85 crores. Total assets of the bank as on 31.12.2015 were ₹ 648553.79 crores, 1% of which is ₹.6485.54 crore. Total net funded exposure of two countries namely Hong Kong & UAE amounting to ₹ 18241.21 crore & ₹ 14045.81 crore respectively, is more than 1% of the total assets of the Bank as on 31.12.2015. Total net funded exposure of the bank on Hong Kong & UAE is more than 1% of total assets as on 31.03.2016 also. Hence provision of ₹. 23.30 crore for Hong Kong and ₹ 17.79 crore for UAE has been made in terms of RBI Master Cir. No.DBOD.No.BP.BC.12/21.04.048/2011-12 dated July 1, 2011. As per Export Credit Guarantee Corporation of India(ECGC) classification, Hong Kong is in the Insignificant Risk Category i.e. A1 and UAE is in the Low Risk Category i.e. A2.

Risk Category Wise Country Exposure

(₹ in Crore)

Risk Category	Exposure (net) as at March 2016 (Current Year)	Provision held as at March 2016 (Current Year)	Exposure (net) as at March 2015 (Previous Year)	Provision held as at March 2015 (Previous Year)
Insignificant	39590.96	23.03	21747.68	14.38
Low	22624.39	17.79	13290.75	9.23
Moderate	540.03	0	6.78	0
High	0.16	0	0.99	0
Very high	0.40	0	0.01	0
Restricted	0.91	0	1.16	0
Off-credit	0.00	0	0.15	0
Total	**62756.85**	**40.82**	**35047.52**	**23.61**

The above information is as compiled and certified by the Management.

9d. Details of Single Borrower Limit and Group Borrower Limit exceeded by the bank.

"The Bank has not exceeded prudential exposure ceilings in respect of any Group Accounts and Individual Borrowers during the period 01.04.2015 to 31.03.2016 except exposure in favour of State Bank of India."

9e. Unsecured Advances:

(₹ in Crore)

Particulars	31.03.2016	31.03.2015
Unsecured Advance	29074.49	22383.01
1. Total amount of advances for which intangible securities such as charge over the rights, licenses, authority etc. has been included in Sch.9 under 'Unsecured Advances'	6461.12	5521.58
2. Estimated value of intangible collaterals	9207.46	7323.39

10. Disclosure of penalties imposed by the RBI:

A. During the period (01.04.2015 to 31.03.2016), no penalty has been imposed by RBI on the bank under the provision of Section 46(4) of the Banking Regulation Act, for contraventions of any of the provisions of the Act or non-compliance with any other requirements of the Banking Regulation Act, 1949; order, rule or condition specified by Reserve Bank under the said Act.

B. No SGLs were bounced during the year ended 31.03.2016 (wef. 01.04.2015 to 31.03.2016)

Other Disclosures required by Accounting Standards

11. AS -5 Prior Period and Change in Accounting Policy

There were no material prior period income/expenditure items requiring disclosure under AS–5.

12. AS- 6 Depreciation accounting

Break up of total depreciation for the year ended March, 2016 for each class of assets

(₹ in Crore)

Class of assets	31.03.2016	31.03.2015
Premises	14.38	9.31
Other fixed assets	345.93	330.70
Leased assets	NIL	NIL
Computer software	35.42	30.22
Total	**395.73**	**370.23**

13. AS- 9 Revenue Recognition:

Certain items of income are recognized on realization basis as per Accounting Policy No. 3(5). However, the said income is not considered to be material.

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14. AS 11- Changes in foreign exchange rates:

Movement of foreign currency translation reserve

(₹ In Crore)

Particulars	Amount (2015-16)	Amount (2014-15)
Opening balance	54.23	46.28
Credited during the period 01.04.2015 to 31.03.2016	10.47	11.11
Withdrawn during the period 01.04.2015 to 31.03.2016	0.49	3.16
Closing Balance	64.21	54.23

15. AS 15 – Employees Benefits:

DISCLOSURE IN ACCORDANCE WITH AS-15(R):

In line with the accounting policy and as per the Accounting Standard – 15(R), the summarized position of employment benefits is as under:

A. Defined Benefit Plans

TABLE I - Principal Acturial Assumptions and the basis of these assumptions

Acturial Assumptions	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Discount Rate	8.17%	8.03%	8.17%	8.00%	8.17%	8.00%
Expected Return on Plan Assets	8.61%	8.61%	8.61%	8.61%	0.00%	0.00%
Rate of Escalation In salary	5.75%	5.50%	5.75%	5.50%	5.75%	5.50%
Attrition Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

TABLE II - Changes in Present value of the obligation

(ALL AMOUNTS IN CRORES)

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Present value of Obligation at the beginning of period	18217.4	15162.79	**2419.83**	2609.46	**1308.47**	1288.68
Interest Cost	1415.01	1342.45	**177.78**	222.47	**95.43**	107.82
Current Service Cost	476.83	430.46	**197.68**	182.86	**44.48**	41.53
Benefits paid	(1191.77)	(821.16)	(395.24)	(329.48)	(231.22)	(207.74)

Acturial loss / (gain) on obligations (Balancing Figure)	1262.22	2102.86	**215.89**	(265.48)	**184.36**	78.19
Present value of Obligation	**20179.68**	**18217.4**	**2615.94**	**2419.83**	**1401.53**	**1308.47**

TABLE III - Changes in the FV of the Plan Assets

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**
FAIR value of Plan Assets, at the beginning of period	17373.01	14756.02	2836.40	2756.05	-	-
Expected return on Plan assets	1579.46	1335.11	227.20	233.46	-	-
Contributions by Bank, employees	3134.8	2322.08	0.00	240.33	231.22	207.74
Benefits Paid	(1191.77)	(821.16)	(395.24)	(329.48)	(231.22)	(207.74)
Acturial (loss) / gain on Plan Assets(Balancing Figure)	(53.78)	(219.04)	(1.61)	(63.96)	-	-
FAIR value of Plan Assets, 31.03.2015	**20841.72**	**17373.01**	**2666.75**	**2836.40**	-	-

TABLE IV - Actual Return on Plan Assets

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**	**31.03.2016**	**31.03.2015**
Expected return on Plan Assets	1579.46	1335.11	227.2	233.46	-	-
Acturial (loss) / gain on Plan Assets	(53.78)	(219.04)	(1.61)	(63.96)	-	-
Actual Return on Plan Assets	**1525.68**	**1116.07**	**225.59**	**169.50**	-	-

TABLE V - Net Acturial (Gain) / loss Recognized

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Acturial gain / (loss) for the period - Obligations	(1262.22)	(2102.86)	(215.89)	265.48	(184.36)	(78.19)
Acturial gain / (loss) for the period - Plan Assets	(53.78)	(219.04)	(1.61)	(63.96)	0	-
Total (Gain) / Loss for he period	1316.00	2321.90	217.49	(201.52)	184.36	78.19
Acturial (gain) or loss recognised in the period	1316.00	2321.90	217.49	(201.52)	184.36	78.19
Unrecognised Acturial (gain) / loss at the end of the year	0.00	0.00	0.00	0.00	0.00	0.00

TABLE VI - Amount recognised in Balance Sheet

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Present value of Obligation	20179.68	18217.4	2615.94	2419.83	1401.53	1308.47
FAIR value of Plan Assets	20841.72	17373.01	2666.75	2836.4	0	0
Difference	(662.04)	844.39	(50.81)	(416.57)	1401.53	1308.47
Unrecognised Transitional Liabilty	0	0	0	0	0	0
Unrecognised Past Service cost - vested benefits - Carried Forward	0	0	0	0	0	0
Liability Recognised in the Balance Sheet	0	844.39	0	0	1401.53	1308.47
Negative amount determined under under Paragraph 55 of AS-15 (R)	(662.04)	0	(50.81)	(416.57)	0.00	0.00
Present value of available refunds and reductions in	662.04	0	50.81	416.57	0.00	0.00

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future contributions						
Resulting asset as per Paragraph 59 (b) of AS-15 (R)	662.04	0	50.81	416.57	0.00	0.00

TABLE VII - Expense to be recognised in Profit and loss statement

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Current Service Cost	476.83	430.46	197.68	182.86	44.48	41.53
Interest cost	1415.01	1342.45	177.78	222.47	95.43	107.82
Expected return on Plan assets	1579.46	1335.11	(227.20)	(233.46)	0	0
Net Acturial (gain) / loss recognised in year	1316.00	2321.90	217.49	(201.52)	184.36	78.19
Past Service Cost-Recognised	0	551.53	0.00	113.20	0	0
Expenses recognised in the statement of profit and loss	1628.37	3311.23	365.76	83.55	324.27	227.53

TABLE VIII- Movement in Net Liability to be recognised in Balance Sheet

	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Opening Net Liability	844.39	(144.76)	(416.57)	(259.79)	1308.47	1288.68
EXPENSE	1628.37	3311.23	365.76	83.55	324.27	227.53
CONTRIBUTIONS PAID	(3134.80)	(2322.08)	0.00	(240.33)	(231.22)	(207.74)
Closing Net Liability (Liability recognised in B/S in current period)	(662.04)	844.39	(50.81)	(416.57)	1401.53	1308.47

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TABLE IX -Amount for the current Period

	PENSION				
	31.03.2016	**31.03.2015**	**31.03.2014**	**31.03.2013**	**31.03.2012**
Present value of Obligation	20179.68	18217.40	15162.79	13559.18	11668.83
FAIR value of Plan Assets	20841.72	17373.01	14756.02	12419.39	10191.91
Surplus / (Deficit) before unrecognised past service cost	662.04	(844.39)	(406.77)	(1139.79)	(1476.92)
Experience Adjustments in Plan Liabilities - (loss) / Gain	(1476.60)	48.45	(620.16)	251.23	22.29
Experience Adjustments in Plan Assets (loss) / gain	(53.78)	(219.04)	(294.47)	32.76	(153.08)
	GRATUITY				
	31.03.2016	**31.03.2015**	**31.03.2014**	**31.03.2013**	**31.03.2012**
Present value of Obligation	2615.94	2419.83	2609.46	2656.77	2556.20
FAIR value of Plan Assets	2666.75	2836.4	2756.05	2584.59	2216.31
Surplus / (Deficit) before unrecognised past service cost	50.81	416.57	146.59	(72.18)	(339.89)
Experience Adjustments in Plan Liabilities - (loss) / Gain	(218.33)	406.75	106.95	91.32	75.90
Experience Adjustments in Plan Assets (loss) / gain	(1.61)	(63.96)	(34.84)	11.02	(21.07)

	LEAVE ENCASHMENT	
	31.03.2016	**31.03.2015**

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Present value of Obligation	1401.53	1308.47
FAIR value of Plan Assets	0	0
Surplus / (Deficit) before unrecognised past service cost	(1401.53)	(1308.47)
Experience Adjustments in Plan Liabilities - (loss) / Gain	(250.27)	(865.00)
Experience Adjustments in Plan Assets (loss) / gain	0	0

TABLE X -Major Categories of Plan Assets (as percentage of Total Plan Assets)

(In Percentage)

	PENSION		GRATUITY	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**
Government Of India Securites	10.00	12.78	16.00	15.45
State Govt Securities	35.00	36.91	35.00	33.21
High Quality Corporate Bonds	17.00	35.47	18.00	35.60
Equity Shares of listed companies	1.00	0.00	0.00	0.00
Property	0.00	0.00	0.00	0.00
Special deposit scheme	6.00	6.55	8.00	6.69
Funds managed by Insurer	18.00	7.37	6.00	8.86
Other- Bank Deposits and CDs	13.00	0.92	17.00	0.19
TOTAL	100.00	100.00	100.00	100.00

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TABLE XI -ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR

	Pension (Funded)		Gratuity (Funded)	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Bank's best estimate of Contibution during next year	2000.00	2600.00	500.00	500.00

TABLE XII- Other Long Term employee benefits (Unfunded)

Particulars	Sick Leave & Casual leave (Unfunded)		Leave Fare concession (unfunded)		Silver Jubiliee Bonus (unfunded)	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Present Value of Obligation	60.86	176.26	108.32	124.02	12.05	11.76
Opening Balance of Transitional Liability	0	0	0	0	0	0
Transitional Liability recogized in the year	0	0	0	0	0	0
Closing Balance Of Transitional Liability	0	0	0	0	0	0
Liabity Recognized in balance Sheet	60.86	176.26	108.32	124.02	12.05	11.76

Particulars	Basis of assumption
Discount rate	Discount rate has been determined by reference to market yields on the balance sheet date on Government Bonds of term consistent with estimated term of the obligations as per para 78 of AS15R.
Expected rate of return on plan assets	The expected return on plan assets is based on market expectations, at the beginning of the period, for retums over the entire life of the related obligation.
Rate of escalation in salary	The estimates of future salary increases considered in actuarial valuations taking into account inflation, seniority, promotion and other relevant factors mentioned in paras 83-91 of AS15R.

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Attrition rate	Attrition rate has been determined by reference to past and expected future experience and includes all types of withdrawals other than death but including those due to disability.

During the year Bank has changed the basis of valuation of Plan Assets from Book Value to Fair value in accordance with AS 15 issued by ICAI . As a result of the change, the value of plan asset has increased by Rs 388.07 crores in respect of Pension Fund and by Rs 53.08 crores in respect of Gratuity Fund.

B. Defined Contribution Plans :

The Bank has Defined Contribution Plan applicable to all categories of employees joining the Bank on or after 01.04.2010. The scheme is managed by NPS trust under the aegis of the pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During the FY 2015-16, the Bank has contributed Rs 87.17 crores (Previous year Rs 54.89)

16. Segment reporting for the period ended 31st March 2016

(₹ in Lacs)

PART A: BUSINESS SEGMENTS				
Sl. No.	**Particulars**		**YEAR ENDED 31.03.2016 (Audited)**	**YEAR ENDED 31.03.2015 (Audited)**
i.	**Segment Revenue**			
	a)	Treasury	1463544	1287749
	b)	Corporate/Wholesale Banking	2343543	2327330
	c)	Retail Banking	1535575	1558965
	d)	Other Banking Operations	87475	46565
	Total		**5430137**	**5220609**
ii.	**Segment Results**			
	a)	Treasury	336886	115605
	b)	Corporate/Wholesale Banking	625145	735052
	c)	Retail Banking	409617	492376
	d)	Other Banking Operations	23334	14707
	Total		**1394982**	**1357740**
iii.	Unallocated Expenses		1968770	162264
iv.	Operating Profit		1221635	1195476
v.	Provision for Tax		-176349	89567
vi.	Extraordinary Items		NIL	NIL
vii.	Net Profit		**-397439**	**306158**

Other Information:				
viii.	**Segment Assets**			
	a)	Treasury	16317273	15358540
	b)	Corporate/Wholesale Banking	33465504	29636192
	c)	Retail Banking	13390791	13692018
	d)	Other Banking Operations	2575905	1138717
	Sub Total			**59825467**
	e)	Unallocated Assets	989573	507893
	Total Assets		**66739046**	**60333360**
ix.	**Segment Liabilities**			
	a)	Treasury	15612103	14466730
	b)	Corporate/Wholesale Banking	32019253	27915336
	c)	Retail Banking	12812092	12896977
	d)	Other Banking Operations	2464584	1072596
	Sub Total			
	e)	Unallocated Liabilities	0	73769
	Total Liabilities		**62908032**	**56425408**

Part B – GEOGRAPHIC SEGMENTS

Sl. No	Particulars		YEAR ENDED 31.03.2016 (Audited)	YEAR ENDED 31.03.2015 (Audited)
1.	**Revenue**			
	a)	Domestic	5288906	5086534
	b)	International	141231	134075
	Total		**5430137**	**5220609**
2.	**Assets**			
	a)	Domestic	57232862	52344759
	b)	International	9506184	7988601
	Total		**66739046**	**60333360**

Note:

1. Segment Liabilities are distributed in the ratio of their respective Segment Assets.
2. Figures of the previous period have been re-grouped /re-classified wherever necessary to make them comparable.

17. Disclosure of Related Parties as per AS –18 issued by ICAI
Names of the related parties and their relationship with the Bank:

Key Management Personnel:

i) Mrs. Usha Ananthasubramanian, Managing Director & CEO w.e.f. 14.08.2015.
ii) Shri Gauri Shankar, Executive Director (Also remained as Managing Director & CEO w.e.f. 09.02.2015 to 09.08.2015).
iii) Shri K.V.Brahmaji Rao, Executive Director.
iv) Dr .Ram S.Sangapure, Executive Director

Subsidiaries:

i) PNB Gilts Ltd.
ii) PNB Housing Finance Ltd.
iii) Punjab National Bank (International) Ltd., UK
iv) PNB Investment Services Ltd.
v) Druk PNB Bank Ltd, Bhutan.
vi) PNB Insurance Broking Pvt Ltd*.

Associates:

i) Principal PNB Asset Management Company Pvt. Ltd.
ii) Principal Trustee Company Private Limited
iii) PNB Metlife India Insurance Company Ltd.
iv) JSC (Tengri Bank) Kazakhstan **
v) Madhya Bihar Gramin Bank, Patna.
vi) Sarva Haryana Gramin Bank, Rohtak
vii) Himachal Pradesh Gramin Bank, Mandi
viii) Punjab Gramin Bank, Kapurthala
ix) Sarva UP Gramin Bank, Meerut.

*Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

**Previously JSC SB PNB Kazakhstan was subsidiary of PNB with majority stake of 84.38%. On 10.09.2015, local shareholders increased their stake to 51%. Accordingly, PNB's stake in PNB Kazakhstan declined to 49% only.

Joint Venture:

i) Everest Bank Limited, Nepal

Transactions with Related Parties*

(₹ in crore)

Items/ Related Party	Parent** (as per ownership or control)		Subsidiaries **		Associates/ Joint ventures		Key Management Personnel		Relatives of Key Management Personnel		Total	
	201516	Maximum amount outstanding	201516	Maximum amount outstanding	201516	Maximum amount outstanding	201516	Maximum amount outstanding	201516	Maximum amount outstanding	201516	Maximum amount outstanding
Remuneration	N.A	N.A	N.A	N.A			102.29	NA	NA	NA	102.29	NA
	N.A	N.A	N.A	N.A	--	--	(100.74)	NA	NA	NA	(100.74)	NA
Borrowings	N.A	N.A	N.A	N.A	--	--	-	-	-	-	-	-
Deposits	N.A	N.A	N.A	N.A	4982.89		44.20	50.16	41.07	41.07	5068.16	91.23
	N.A	N.A	N.A	N.A	(9010.29)	--	(4.97)	(21.29)	(4.83)	(25.95)	(9020.09)	(47.24)
Placement of Deposits	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A	-	-	-	-	-	-	-	-
	N.A	N.A	N.A	N.A	1500.0				179.1	179.10	1679.1	179.10

Advances					0				0		0	
	N.A	N.A	N.A	N.A	(2600.00)	–	–	–	(36.12)	(36.12)	(2636.12)	(36.12)
Investments in share capital	N.A	N.A	N.A	N.A	463.68						463.68	-
	N.A	N.A	N.A	N.A	(127.83)	–	–	–	–	–	(127.83)	-
Investments in debentures	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A		–	–	–	–	–		
Non funded Commitments	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements provided	--	--	--	--	--	--	--	--	--	--	--	--
Purchase of fixed assets	--	--	--	--	--	--	--	--	--	--	--	--
Sale of Fixed Assets	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Interest paid	N.A	N.A	N.A	N.A	675.32						675.32	-
	N.A	N.A	N.A	N.A	(510.53)	–	–	–	–	–	(510.53)	
Interest received	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Receiving of Services	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Rendering of Services	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Management contracts	N.A	N.A	N.A	N.A								
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Dividend received	N.A	N.A	N.A	N.A	--						--	--
	N.A	N.A	N.A	N.A	(11.89)	–	–	–	–	–	(11.89)	-
Bank Charges					–	–	–	–	–	–	–	–
Commission Received					–	–	–	–	–	–	–	–

*As compiled and certified by the management.

(Figures in brackets relate to previous year)

**The transactions with the subsidiaries and certain associates have not been disclosed in view of para-9 of AS-18 'Related Party Disclosure', which exempts state controlled enterprises from making any disclosures pertaining to their transactions with other related parties, which are also state controlled.

18. Accounting for Leases – AS 19

Financial Leases:

a. Original value of assets acquired on financial lease and included in other fixed assets (including furniture and fixture):	₹ 41.65 lacs
The amount of depreciation provided upto 31.03.2016 thereon	₹ 41.65 lacs
The written down value as on 31.03.2016	₹ 1
b. Minimum Lease Payment due not later than one year	₹ 1
c. Minimum Lease Payment due more than one year but not later than five years	NIL
d. Minimum Lease Payment due later than five years	NIL
e. Operating leases	Not Ascertained

The above data is as certified by the Management.

19. AS 20 - Earnings Per Share

Sl.No.	Particulars	31.03.2016	31.03.2015
A	EPS - Basic / Diluted (in ₹) (Non Annualized)	-20.82	16.91
B	Amount used as numerator Profit/ (Loss) after tax (₹ in '000)	(39743960)	30615843
C	Nominal value of share	₹2/- each	₹2/- each
D	Weighted average number of equity shares used as the denominator	1909375143	1810470746

20. AS 22- Accounting for taxes on Income

The Bank has recognized deferred tax assets and liability as per accounting policy no. 7. Major components of which are set out below:

(₹ in Crores)

Particulars	As on 31.03.2016	As on 31.03.2015
Deferred Tax Assets		
Provision for Leave encashment	519.52	523.04
Provision for Pension & Gratuity	NIL	NIL
Statutory Liability u/s 43B	0.56	0.34
Provision for bad & doubtful debts	4500.35	1371.29
Total	**5020.43**	**1894.67**
Deferred Tax Liabilities		
Depreciation on fixed assets	-7.54	4.10
Deduction u/s 36(1)(viii) of Income Tax Act 1961	410.50	405.73
Total	**402.96**	**409.83**
Deferred Tax Assets (Net)	**4617.47**	**1484.84**

The deferred tax assets ₹ 3132.63 crore for FY 2015-16 (P.Y 930.00 crore) is credited to Profit and Loss Account.

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21. AS 23- Accounting for Investments in Associates in Consolidated financial Statements

Since Investments of the bank in its Associates are participative in nature and the Bank having the power to exercise significant influence on their activities, such Investments are recognized in the Consolidated Financial Statements of the Bank.

22. AS 24 - Discontinuing Operations

During the period from 01.04.2015 to 31.03.2016, the bank has not discontinued operations of any of its branches, which resulted in shedding of liability and realization of the assets and no decision has been finalized to discontinue an operation in its entirety which will have the above effect.

23. AS 28 – Impairment of Assets

A substantial portion of the bank's assets comprise of 'financial assets' to which Accounting Standard 28 'Impairment of Assets' is not applicable. In the opinion of the bank, there is no impairment of its assets (to which the standard applies) to any material extent as at 31.03.2016 requiring recognition in terms of the said standard.

24. AS-29 Provisions, Contingent Liabilities and Contingent Assets

i) Movement of provisions for liabilities*

(₹ in Crore)

Particulars	Salary arrears	Legal cases/ contingencies
Balance as at 1st April 2015	1294.00 (1020.00)	18.05 (18.21)
Provided during the period	145.00 (630)	4.65 (1.81)
Amounts used during the period	1430.66 (NIL)	1.51 (NIL)
Reversed during the period	0.00 (356.00)	1.30 (1.97)
Balance as at 31.03.2016	8.34 (1294.00)	19.89 (18.05)
Timing of outflow/uncertainties		

*Excluding provisions for others

** Figures in brackets relate to previous year.

ii) Refer Schedule-12 on contingent liabilities

Such liabilities at S.No.(I), (II), (III), (IV), (V) & (VI) are dependent upon the outcome of Court / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, respectively.

25. Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account is as follows:

(₹ in Crore)

<table>
<tr><th>Particulars</th><th>31.03.2016</th><th>31.03.2015</th></tr>
<tr><td>Provisions for depreciation on investment (net)</td><td>345.49</td><td>-567.03</td></tr>
<tr><td>Provision towards NPAs (net)</td><td>18469.15</td><td>7979.19</td></tr>
<tr><td>Provision towards Standard Assets</td><td>120.46</td><td>404.88</td></tr>
<tr><td>Provision made towards Income Tax (including Fringe Benefit Tax & Wealth Tax)</td><td>-1763.49</td><td>895.67</td></tr>
<tr><td>Other Provision and Contingencies:
<table>
<tr><th>Detail:</th><th>31.03.2016</th><th>31.03.2015</th></tr>
<tr><td>Standard Restructured</td><td>-1491.17</td><td>86.24</td></tr>
<tr><td>Sale to SC/RC</td><td></td><td>NIL</td></tr>
<tr><td>Written off & others</td><td>136.22</td><td>74.06</td></tr>
<tr><td>Sale to Arcil</td><td>387.98</td><td>20.16</td></tr>
<tr><td>Restructured CDR-FITL</td><td>-13.90</td><td>0.00</td></tr>
</table></td><td>-980.87</td><td>180.46</td></tr>
<tr><td>Total</td><td>16190.74</td><td>8893.17</td></tr>
</table>

26. Break-up of Floating Provisions is as follows:

(₹ in Crore)

Particulars	31.03.2016	31.03.2015
Opening balance	360.25	720.50
Quantum of floating provisions made during the year	NIL	NIL
Purpose and amount of draw down made during the year	NIL	360.25
Closing balance	360.25	360.25

27. Draw Down from Reserves:

(₹ in Lacs)

Sr. No.	Reserves	Amount drawn	Purpose
1	Other Reserves (Blocked Account)	0.056	Payment made during the period ended 31.03.2016 for Blocked Account of Inter Branch Credit entries pertaining to the period upto 31.03.2011.
2	Revaluation reserves	2062.89	Depreciation on revalued portion of property.

28. Disclosure of complaints and unimplemented awards of Banking Ombudsman including customer complaints pertaining to ATM.

a. Customer Complaints

	Particulars	31.03.2016	31.03.2015
(a)	No. of complaints pending at the beginning of the year	18454	8476
(b)	No. of complaints received during the year	444193	518793
(c)	No. of complaints redressed during the year	452408	508815
(d)	No. of complaints pending at the end of year	10239	18454

b. Awards passed by the Banking Ombudsman

	Particulars	31.03.2016	31.03.2015
(a)	No. of unimplemented Awards at the beginning of the year	5	4
(b)	No. of Awards passed by the Banking Ombudsman during the year	203	240
(c)	No. of Awards implemented during the year	208	239
(d)	No. of unimplemented Awards at the end of year	0	5

29. The Bank has issued a Letter of Comfort to Prudential Regulation Authority (PRA), the regulator in United Kingdom, committing that the bank shall provide financial support to its subsidiary, Punjab National Bank (International) Ltd., UK so that it meets its financial commitments as and when they fall due.

The Prudential Regulatory Authority (PRA), regulator of UK, has placed the subsidiary Bank under 'watch list' while there are no restrictions or penalties, PNBIL has put in place, a board approved, remediation plan to be implemented by 30.06.2016 to address the issues.

However, no financial obligation has arisen out of such arrangement during the period ending 31st March, 2016.

The detail of Letters of Comfort / Letters of undertaking issued and outstanding as at 31st March, 2016.

(₹ in Crore)

	31.03.2016	31.03.2015
Letter of Comforts (LOC)/ Letter of Undertaking (LoU) issued during the year	34741	43097
LoC / LoU matured / cancelled during the year	16068	20147
LoC / LoU outstanding as at 31.03.2016	18673	22960

- The above mentioned LoC / LoU have been issued within the sanctioned Trade Credit Limits and forms an integral part of the contingent liabilities reported in the Bank's Balance Sheet under the Head – Acceptance, Endorsements and other Obligations.
- The above data is as compiled by the Management.

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30. Disclosure in respect of Insurance Business undertaken by the bank: (Information given in (a) to (c) is certified by the Management.)

(₹ in Crore)

Particulars	31.03.2016	31.03.2015
Details of fees/brokerage/remuneration earned in respect of Insurance, Broking, Agency and Business including Mutual Fund Business undertaken by the bank during the year. (i) Life Insurance Business: (ii) Non-life Insurance Business: (iii) Mutual Fund Business	86.47 24.51 03.38	59.74 21.87 03.62
TOTAL	**114.36**	**85.23**

31. I. Concentration of Deposits, Advances, Exposures and NPAs:

(a) Concentration of Deposits:

(₹ in Crore)

Particulars	31.03.2016	31.03.2015
Total Deposits of twenty largest depositors	22798.04	20707.42
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	4.12%	4.13%

(b) Concentration of Advances:

(₹ in Crore)

Particulars	31.03.2016	31.03.2015
Total Advances of twenty largest borrowers	59785.73	57335.91
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	13.81%	15.07%

(c) Concentration of Exposures:

(₹ in Crore)

Particulars	31.03.2016	31.03.2015
Total Exposures of twenty largest borrowers/customers	71884.38	64105.34
Percentage of Exposures to twenty largest borrowers/customers to Total Exposures of the bank on borrowers/customers	13.35%	12.87%

(d) Concentration of NPAs:

(₹ in Crore)

Particulars	31.03.2016	31.03.2015
Total Exposure to top four NPA accounts	10465.40	2047.53

(e) **Provisioning Coverage Ratio:**

Particulars	**31.03.2016**	**31.03.2015**
Provisioning Coverage Ratio	51.06%	58.21%

II. Sector-wise advances*: **(₹ in Crore)**

Sl. No.	**Sector**	**As on 31.03.2016**			**As on 31.03.2015**		
		Outstanding Total Advances	**Gross NPAs**	**Percentage of Gross NPAs to Total Advances in that sector**	**Outstanding Total Advances**	**Gross NPAs**	**Percentage of Gross NPAs to Total Advances in that sector**
A	**Priority Sector**						
1.	Agriculture and allied activities	72985.31	4381.00	6.00	56899.49	3114.89	5.47
2.	Advances to industries sector eligible as priority sector lending	24217.99	3465.81	14.31	31834.43	3801.48	11.94
3.	Services	43463.50	3448.81	7.93	24378.84	2480.91	10.18
4.	Personal loans	21724.91	868.58	4.00	28669.97	1215.90	4.24
	Sub-total (A)	**162391.71**	**12164.20**	**7.49**	**141782.74**	**10613.18**	**7.49**
B	**Non Priority Sector**						
1.	Agriculture and allied activities	0.00	0.00	0.00	1656.21	30.11	1.82
2.	Industry	124997.35	34358.49	27.49	114760.23	9308.50	8.11
3.	Services	132127.17	9016.76	6.82	68406.71	2346.42	3.43
4.	Personal loans	13258.81	278.88	2.10	65816.27	3396.64	5.16
	Sub-total	**270383.33**	**43654.13**	16.15	**250639.41**	**15081.67**	6.02

	(B)						
	Total (A+B)	**432775.04**	**55818.33**	**12.90**	**392422.15**	**25694.86**	**6.55**

*As certified by the Management.

III. Movement of NPAs:

(₹ in Crores)

Particulars	**31.03.2016**	**31.03.2015**
Gross NPAs Opening balance	25694.86	18880.06
Additions (Fresh NPAs) during the year	42251.80	16659.56
Sub-total (A)	67946.66	35539.62
Less:		
(i) Up gradations	1381.66	999.62
(ii) Recoveries (excluding recoveries made from upgraded accounts)	4261.88	2925.48
(iii) Technical /Prudent Write-offs	6484.79	5919.66
(iv) Write-offs other than those under (iii) above		
Sub-total (B)	12128.33	9844.76
Gross NPAs Closing balance (A-B)	55818.33	25694.86

Detail of Technical write-offs and the recoveries made there on:

(₹ in Crores)

Particulars	**As on 31.03.2016**	**As on 31.03.2015**
Opening balance of Technical / Prudential written-off accounts	11146.09	5349.55
Add : Technical / Prudential write-offs during the year	7691.61	6787.48
Sub-total (A)	18837.70	12137.03
Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	2279.56	990.94
Closing balance (A-B)	16558.14	11146.09

IV.Overseas Assets, NPAs and Revenue:

(₹ in Crores)

Particulars	**31.03.2016**	**31.03.2015**
Total Assets	95061.84	79886.01
Total NPAs (Gross)	1394.37	376.81
Total Revenue	2489.98	2247.19

V. Off-balance sheet SPVs sponsored by the Bank (which are required to be consolidated as per accounting norms)

Bank has not sponsored any SPV (Domestic as well as Overseas) during the financial year 31.03.2016.

32.Reward Points of Credit Card & Debit Card

i) PNB Global Credit & Debit Cardholders are rewarded as and when they make purchases through usage of Credit & Debit Card. Reward Points are generated at the time of usage of Credit & Debit Card by Cardholder at merchant Establishment. Card holder can redeem the accumulated reward points. The amount payable on account of reward points is charged to Profit and Loss account and credited to Sundry Provision Account on daily basis.

Position of outstanding reward points and provision regarding Credit Cards is as under:

Particulars	**As on 31.03.2016**	**As on 31.03.2015**
Balance Reward Points outstanding	127306913	107562484
Provision held for these points (₹ in Lacs)	159.19	138.65

ii) **Position of outstanding reward points and provision thereon regarding Loyalty Reward Points- Debit Cards is as under:**

Particulars	**As on 31.03.2016**	**As on 31.03.2015**
Balance of loyalty reward points	863549121	685567905
Provision held against reward points (₹ in Lacs)*	333.97	247.63

*The provision held against Loyalty Reward points has been worked at ₹.0.25 for 1 point, which has further been valued at 15% on estimated basis as in the previous year.

33. Disclosures relating to Securitization

OUTSTANDING AMOUNT OF SECURITISED ASSETS:

SI.No	**Particulars**	**No/₹. in crore**
1.	No of SPVs sponsored by the bank for securitization transactions*	
2.	Total amount of securitized assets as per books of the SPVs sponsored by the bank	
3.	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet	
	a) Off-balance sheet exposures	NIL

		First loss		
		Others		
	b)	On-balance sheet exposures		
		First loss		
		Others		
4	Amount of exposures to securitization transactions other than MRR			
	a)	Off-balance sheet exposures		
		i)	Exposure to own securitizations	
			First loss	
			Others	
		ii)	Exposure to third party securitizations	
			First loss	
			Others	
	b)	On-balance sheet exposures		
		i)	Exposure to own securitizations	
			First loss	
			Others	
		ii)	Exposure to third party securitizations	
			First loss	
			Others	

34. Credit Default Swaps

Since the Bank is not using any proprietary pricing model for pricing CDS contracts, and it is over the counter contract (OTC), the price is determined by the market dynamics. As such no disclosure is to be made in terms of extant RBI guidelines.

35.Transfers to Depositor Education and Awareness Fund (DEAF):

In compliance to RBI Circular No.DBOD.NO.DEAF.CELL.BC.114/30.01.002/2013-14 dated 27.05.2014, the Bank has transferred the following amount to RBI, as per Depositor Education and Awareness Scheme, 2014.

(₹ in Crore)

Particulars	As on 31.03.2016	As on 31.03.2015
Opening balance of amounts transferred to DEAF	NIL	NIL
Add : Amounts transferred to DEAF during the period	686.57	424.92
Less : Amounts reimbursed by DEAF towards claims	09.99	2.86
Closing balance of amounts transferred to DEAF as at 31.03.2016*	676.58	422.06

*Reflected as "Contingent Liability - Others, items for which the bank is contingently liable" under Schedule 12 of the financial statements.

36. Unhedged Foreign Currency Exposure (UFCE):

The Bank has framed a policy to manage currency induced credit risk and has been incorporated in bank's Credit Management & Risk Policy 2016-17 as follows:

"In terms of RBI guidelines on 'Capital and Provisioning Requirements for Exposures to entities with Un-hedged Foreign Currency Exposure', Bank shall monitor the currency wise un-hedged foreign currency exposure in the books of borrowers at quarter ends along-with the Annualized Earnings Before Interest & Depreciation (EBID). The incremental provision (ranging from 0 to 80 bps on total credit exposure, over and above the standard asset provisioning) and capital requirement will depend on likely loss (due to foreign currency fluctuation) that borrowers may face due to their un-hedged forex exposure in their books. Bank shall maintain separate charge and provisioning requirement on account of such exposures which may impact the cost to the borrowers. Appropriate disclosures in the financial statements of the bank shall also be made."

(₹ in Crore)

Particulars	31.03.2016	31.03.2015
Incremental Provision	26.82	44.41
Incremental capital held	65.32	188.31

37. Intra-Group Exposures

(₹ in Crore)

	Particulars	31.03.2016	31.03.2015
a)	Total amount of intra-group exposures	2920.08	5160.00
b)	Total amount of top-20 intra group exposures.*(3 entities)	2920.08	5160.00
c)	Percentage of intra-group exposures to total exposure of the Bank on borrower/customers (As on 31.12.2015).^	5.55%	13.36%
d)	Details of breach of limits on intra-group exposures and regulatory action, if any.	NIL	NIL

*1) PNB Housing Finance Ltd. 2) PNB Gilts Ltd. 3. Principal PNB Asset Management Co. Pvt. Ltd.

^Capital funds of the Bank were Rs. 52634.18 Crores as on 31.12.2015.

38. Liquidity Coverage Ratio

QUALITATIVE DISCLOSURE ON LIQUIDITY COVERAGE RATIO

The bank has implemented RBI guidelines on Liquidity Coverage Ratio (LCR) from 1st January 2015.

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be readily converted into cash at little/no loss of value to meet its liquidity needs for a 30 calendar day time horizon under a liquidity stress scenario.

LCR has two components:

i. The value of the stock of High Quality Liquid Assets (HQLA) – *The Numerator.*
ii. Total Net Cash Outflows: Total expected cash outflows minus Total expected cash inflows" in stress scenario for the subsequent 30 calendar days - *The denominator.*

Definition of LCR:

$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

The LCR requirement has become binding on the banks with the following minimum required level as per the time-line given below:

	Jan 1, 2015	Jan 1, 2016	Jan 1, 2017	Jan 1, 2018	Jan 1, 2019
Minimum LCR	60%	70%	80%	90%	100%

As at 31.03.2016, against the regulatory requirement of 70%, bank is maintaining LCR at 74.93% (quarterly average) at consolidated level (including domestic & foreign subsidiaries).

The main drivers of LCR of the bank are High Quality Liquid Assets (HQLAs) to meet liquidity needs of the bank at all times and basic funding from retail and small business customers. The retail and small business customer contributes about 69% of total deposit portfolio of the bank which attracts low run-off factor of 5/10%.

Composition of High Quality Liquid Assets (HQLA)

HQLAs comprises of Level 1 and Level 2 assets. Level 2 assets are further divided into Level 2A and Level 2B assets, keeping in view their marketability.

Level-1 assets are those assets which are highly liquid. For quarter ended March 31, 2016, the average Level-1 asset of the bank includes Cash in Hand, Excess CRR, Government Securities in excess of SLR, Sovereign securities besides MSF & FALLCR, Marketable securities totalling Rs. 63229 cr.

Level-2A & 2B assets are those assets which are less liquid and their weighted amount comes to Rs. 7464 cr. Break-up of HQLA during quarter ended March 31, 2016 is given hereunder:

High Quality Liquid Assets (HQLAs)	Average % age contribution to HQLA
Level 1 Assets	
Cash in hand	2.29
Excess CRR balance	2.69
Government Securities in excess of minimum SLR requirement	19.57
Government securities within the mandatory SLR requirement, to the extent allowed by RBI under MSF (presently to the extent of 2 per cent of NDTL)	13.77

Marketable securities issued or guaranteed by foreign sovereigns having 0% risk-weight under Basel II Standardized Approach	2.90
Facility to avail Liquidity for Liquidity Coverage Ratio – FALLCR (presently to the extent of 8 per cent of NDTL)	48.22
Total Level 1 Assets	**89.44**
Total Level 2A Assets	**8.43**
Total Level 2B Assets	**2.13**
Total Stock of HQLAs	**100.00**

Concentration of Funding Sources

This metric includes those sources of fundings, whose withdrawal could trigger liquidity risks. It aims to address the funding concentration of bank by monitoring its funding requirement from each significant counterparty and each significant product / instrument. As per RBI guidelines, a "significant counterparty/Instrument/product" is defined as a single counterparty/Instrument/product or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the bank's total liabilities.

The bank has no significant counterparty (deposits/borrowings) as on 31.03.2016.The share of largest depositor in bank's total deposits is around 0.53% whereas the contribution of top 20 depositors is around 4.12% only. The significant product / instrument includes Saving Fund, Current deposit, Core Term Deposit, and Inter-bank term deposit, the funding from which are widely spread and cannot create concentration risk for the bank.

Derivative exposure

The bank has low exposure in derivatives having negligible impact on its liquidity position.

Currency Mismatch

As per RBI guidelines, a currency is considered as "significant" if the aggregate liabilities denominated in that currency amount to 5 per cent or more of the bank's total liabilities. In our case, only USD falls in this criteria whose impact on total outflows in LCR horizon can be managed easily.

Degree of centralization of liquidity management and interaction between group's units

The group entities are managing liquidity on their own. However, the bank has put in place a group-wide contingency funding plan to take care of liquidity requirement of the group as a whole in the stress period.

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QUANTITATIVE DISCLOSURE **(Rs. in Crore)**

		Current year@		Previous Year#	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)		**70693.00**		65452.29
Cash Outflows					
2	Retail deposits and deposits from small business customers of which :	**366432.89**	**27563.23**	322412.72	24223.32
(i)	Stable deposits	181601.12	9080.06	160358.95	8017.95
(ii)	Less stable deposits	184831.77	18483.18	162053.77	16205.38
3	Unsecured wholesale funding, of which:	**145299.65**	**86123.32**	81785.78	64598.41
(i)	Operational deposits (all counterparties)	0.00	0.00	15.83	3.72
(ii)	Non-operational deposits (all counterparties)	145299.65	86123.32	81769.96	64594.68
(iii)	Unsecured debt	0.00	0.00	0.00	0.00
4	Secured wholesale funding		0.00		0.00
5	Additional requirements, of which	5670.93	4595.35	16.91	16.91
(i)	Outflows related to derivative exposures and other collateral requirements	4502.87	4502.87	16.91	16.91
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00
(iii)	Credit and liquidity facilities	1168.06	92.48	0.00	0.00
6	Other contractual funding obligations	0.00	0.00	8386.59	481.52
7	Other contingent funding obligations	139245.20	5198.68	141600.61	7080.03
8	**Total Cash Outflows**		123480.58		96400.19
Cash Inflows					
9	Secured lending (e.g. reverse repos)	1159.08	0.00	8283.79	0.00
10	Inflows from fully performing exposures	29862.60	23916.39	43546.72	25628.61

11	Other cash inflows	5213.94	5213.94	6293.10	3146.55
12	**Total Cash Inflows**	36235.62	29130.33	58123.61	28775.16
			Total Adjusted Value		Total Adjusted Value
13	**TOTAL HQLA**		70693.00		65452.29
14	Total Net Cash Outflows		94350.25		67625.03
15	Liquidity Coverage Ratio (%)		**74.93**		**96.79**

** Simple averages of monthly observations over previous quarter (i.e. average over a period of 90 days)*
@On consolidated basis (including domestic & foreign subsidiaries)
#On solo basis (including foreign branches)

39. Other Notes

a. As per RBI guidelines, the Bank has worked out the amount of inter Branch Credit entries outstanding for more than 5 years, pertaining to the period up to 31.03.2011, to be transferred to a Blocked Account. Accordingly, a sum of ₹ 118.58 crores (net of adjustments since carried out) has been included under "Other Liabilities-others" in Schedule-5.

Claims of Rs. 0.075 Lac has been received during the financial year (01.04.2015 to 31.03.2016) against Inter Branch Credit entries, Blocked Account and transferred to General Reserve. This has been met by transfer from General Reserve Rs. 0.056 Lac and Rs. 0.019 Lac to the debit of Profit & Loss Account.

b. In terms of RBI Master Circular No. DBR No. BP. BC.1/21.06.201/2015-16 dated 01.07.15,the Bank has initiated an exercise to revalue its immovable properties for the purpose of creation of Revaluation Reserve. As on March, 16, 60 properties, Book Value Rs. 2035.39 Crs. have been revalued at Rs. 3513.14 Crs. creating a Revaluation Reserve of Rs.1477.86 Crs., thereby Tier I Capital has been increased by Rs.665.03 Crs.The remaining properties are in the process of revaluation.

c. Premises includes properties amounting to ₹ 1.66 crore (Net of Depreciation) (previous year ₹ 2.99 crore) {Cost ₹ 7.47 crore} (previous year ₹ 7.47 crore) are awaiting registration of title deeds. Premises include capital work in progress of ₹ 238.85 crore (previous year ₹ 77.24 crore).

d. Tax Paid in advance/Tax deducted at source appearing under "Other Assets includes disputed amount adjusted by the department/paid by the Bank in respect tax demands for various assessment years.

No provision is considered necessary in respect of disputed Income Tax and Fringe Benefit Tax demands of ₹. 1155.79 Crore (previous year ₹ 1056.21 Crore) as in the bank's view, duly supported by expert opinion and/or decision in bank's own appeals on same issues, additions / disallowances made are not sustainable. Against these disputed demands, ₹ 1155.79 crores (previous year ₹ 1056.21 crores) has been paid.

e. During the FY year 2015-2016 the bank has allotted 109040543 equity shares of `2/- each to Government of India at a premium of ` 156.84 per share as determined by the Board in terms of the Chapter VII of the SEBI (ICDR) Regulations, 2009, as amended from time to time on preferential basis. The total amount received by the bank on this account is `. 1732 crores which includes ` 21.81crores as equity capital and ` 1710.19 crores as premium. Consequently the Government holding has increased to 62.08 % as against 59.86% before preferential allotment.

f . As per the information compiled and as certified by the Management, the guidelines given in Micro, Small and Medium Enterprises Development Act 2006 have been complied with for purchases made during the Financial Year 2015- 2016 and payments have been made to the Vendors in time as per Act. Since there had been no delay in payment, question of penal interest does not arise.

g Information under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in terms of the provisions of Regulation 52(4) for unsecured bonds issued by bank <u>excluding Debt instruments eligible for meeting capital requirement.</u>

	PNB BONDS SERIES	ISIN NO.	DATE OF PAYMENT OF INTEREST	Whether the same has been paid or not	Rating Previous ICRA	Revised rating ICRA Feb 2016	Rating CARE	Rating India Rating	Rating CRISIL	Remark **
1	Long Term Bonds (Borrowing) series I (8.23 %)	INE160A08068	09.02.2016	Paid	NA	NA	AAA	AAA	AAA	NIL
2	Long Term Bonds(Borrowing) series II (8.35 %)	INE160A08084	28.03.2016 @	Paid	AAA	AA+	AAA	NA	AAA	@ Payment of intt. made on 28.03.2016, as 24.03.2016 to 27.03.2016 are bank Holidays (Holi, Good Friday , Second Saturday and Sunday) along with interest of additional period (4 days) and next coupon will be calculated from 28.03.2016.

h. In compliance of RBI letter no. DBR.NO.BP.13018/21.04.048/2015-16 dated 12.04.2016, the Bank has provided a sum of ₹ 166.36 being 7.5 % of the existing outstanding of ₹ 2218.08 as on 31.03.2016 under food credit availed by State Government of Punjab. As per RBI's directives, said provision is required to be made in two quarters i.e. 7.5% in March, 2016 and 7.5% in June, 2016.

i. The Bank has subscribed to Non SLR SDL Bonds of Government of Rajasthan (GoR) and Government of UP (GoUP) amounting to Rs 1786.01 Crore and Rs 1857.98 crore respectively and discom bonds of Rs 367.31 crores for Rajasthan discoms. In compliance of the RBI letter No. DBR.BP.NO11657/21.04.132/2015-16 dated 17th March 2016 and DBR.BP.BC.No 14186 / 21.04.132 / 2015-16, dated 11th May 2016 Bank has made the provision as under: -

a) ₹ 243.07 crore in respect of segment not envisaged to be converted into SDL in FY 2016-17 @ 15 % on ₹ 1620.50 and classified as Sub Standard.

b) ₹ 142.38 for diminution in the fair value of loan / Discom bonds.

j. During the year, as a part of asset quality review, RBI has advised the Bank to revise asset classification/provisions in respect of certain advance accounts over the two quarters ending 31.12.2015 and 31.03.2016. The Bank has accordingly, implemented the advice of the RBI.

k. Provisioning pertaining to fraud accounts due to amendment in provisioning norms as per RBI Circular no. RBI/2015-16/376 DBR.No.BP.BC.92/21.04.048/2015-16 dated 18.04.2016:

(₹in Crores)

Category	No. of accounts reported during the FY 2015-16	Amount involved in fraud reported during the FY 2015-16)	Quantum of provision during the FY 2015-16	Un-amortized provisions
Borrowal	65	328.82	328.82	NIL
Non-Borrowal Frauds	146	25.20	17.14	NIL
Total	**211**	**354.02**	**345.96**	**NIL**

Out of total non-borrowal fraud of ₹25.20 crore reported during the year, bank is liable for ₹ 17.14 crore (Fraud amount ₹25.20 cr less recovery ₹ 2.27 less amount not liable to pay ₹5.78 crore).

40. Figures of the previous year have been regrouped / rearranged / reclassified wherever necessary.

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PUNJAB NATIONAL BANK

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2016

(INR ' 000)

	Particulars		2015-16	2014-15
A.	**Cash Flow from Operating Activities**			
(I)	**Net Profit after Tax**		**(3,97,43,960)**	**3,06,15,843**
	Add Provision for Tax (net of deferred tax)		(1,76,34,857)	89,56,660
	Profit before tax	(i)	**(5,73,78,817)**	**3,95,72,503**
(ii)	**Adjustment for :**			
	Depreciation on Fixed Assets		41,63,580	39,08,570
	Less : Amount drawn from Revaluation Reserve		(2,06,289)	(2,06,289)
	Provisions for non performing assets		18,46,91,491	7,97,91,913
	Provision on Standard Assets		(1,37,07,147)	49,11,219
	Depreciation/ (Release), Write off, Provision on Investments (net)		34,54,886	(56,70,342)
	Other Provisions (net)		52,02,875	10,21,731
	Dividend from Subsidiary / Others (Investing Activity)		(3,83,408)	(3,50,291)
	Interest on Bonds (Financing Activity)		1,64,68,138	1,22,42,793
	Profit / Loss on sale of Fixed Assets (net)		(25,005)	(26,180)
		(ii)	**19,96,59,121**	**9,56,23,124**
	Operating Profit before Changes in Operating Assets and Liabilities	(i+ii)	**14,22,80,304**	**13,51,95,627**
(iii)	**Adjustment for net change in Operating Assets and Liabilities**			
	Decrease / (Increase) in Investments		(8,09,96,525)	(8,61,67,610)
	Decrease / (Increase) in Advances		(50,26,05,439)	(39,60,47,233)
	Decrease / (Increase) in Other Assets		(1,82,30,429)	13,58,310
	Increase / (Decrease) in Deposits		51,67,24,892	49,98,18,923
	Increase / (Decrease) in Borrowings		12,58,46,974	(8,66,38,639)
	Increase / (Decrease) in Other Liabilities & Provisions		78,55,452	1,22,57,135
		(iii)	**4,85,94,925**	**(5,54,19,114)**
	Cash generated from Operations	(i+ii+iii)	19,08,75,229	7,97,76,513
	Tax Paid (net of refund)		(1,47,21,540)	(2,35,89,783)
	Net Cash used in Operating Activities	(A)	**17,61,53,689**	**5,61,86,730**
B.	**Cash flow from (used in) Investing Activities**			
	Purchase of Fixed Assets (net of Sales)		(60,72,538)	(51,99,706)
	Dividend recd from Subsidiaries / JV / RRBs		3,83,408	3,50,291
	Investment in Subsidaries / JV / RRBs		(21,38,240)	(36,37,256)
	Net Cash used in investing Activities	(B)	**(78,27,370)**	**(84,86,671)**
C.	**Cash flow from (used in) Financing Activities**			
	Issue of Share Capital (incl. Premium)		1,73,19,999	86,99,999
	Issued(Redemption) of Bonds (Tier I & Tier II)		1,50,00,000	6,30,00,000
	Interest paid on Bonds (Tier I & Tier II)		(1,64,68,138)	(1,22,42,793)
	Payments of Dividends (incl.tax on Dividend)		(72,89,000)	-
	Net Cash from Financing Activities	(C)	**85,62,861**	**5,94,57,206**
D	**Net Change in Cash and Cash Equivalents**	(A+B+C)	**17,68,89,180**	**10,71,57,265**

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PUNJAB NATIONAL BANK

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2016

(INR ' 000)

Particulars		2015-16		2014-15
Cash and Cash Equivalents at the beginning of the year				
Cash and Balances with Reserve Bank of India	24,22,49,419		22,24,55,799	
Balances with Banks & Money at Call & Short Notice	31,70,92,301	**55,93,41,720**	22,97,28,656	**45,21,84,455**
Cash and Cash Equivalents at the end of the year				
Cash and Balances with Reserve Bank of India	26,47,90,678		24,22,49,419	
Balances with Banks & Money at Call & Short Notice	47,14,40,222	**73,62,30,900**	31,70,92,301	**55,93,41,720**
		17,68,89,180		**10,71,57,265**

Notes :-

1 Direct taxes paid (net of refund) are treated as arising from operating activities and are not bifurcated between investing and financing activities.

2 All figures in minus represents "Cash Out Flow"

T K BALAMUKUNDAN
ASSTT. GENERAL MANAGER

S K JAIN
ASSTT. GENERAL MANAGER

P K MOHAPATRA
GENERAL MANAGER

DR. RAM S SANGAPURE
EXECUTIVE DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

USHA ANANTHASUBRAMANIAN
MANAGING DIRECTOR & C.E.O.

DR. RABI N. MISHRA
DIRECTOR

DILIP KUMAR SAHA
DIRECTOR

G P KHANDELWAL
DIRECTOR

HIROO MIRCHANDANI
DIRECTOR

RAJINDER MOHAN SINGH
DIRECTOR

SUDHIR NAYAR
DIRECTOR

As per our Report of even date

For Shah Gupta & Co.
Chartered Accountants - FRN 109574W
Heneel K. Patel
Partner (M.No.114103)

For Chhajed & Doshi
Chartered Accountants - FRN 101794W
Kiran K Daftary
Partner (M.No.010279)

For R. Devendra Kumar & Associates
Chartered Accountants - FRN 114207W
Neeraj Golas
Partner (M. No. 074392)

For Hem Sandeep & Co.
Chartered Acccountants - FRN 009907N
Sandeep Jain
Partner (M. No. 087977)

For Suri & Co.
Chartered Accountants - FRN 004283S
R. Mahesh
Partner (M No. 024775)

For SPMG & Co.
Chartered Accountants - FRN 509249C
Mandeep Singh Arora
Partner (M No. 091243)

Date : 18.05.2016
Place: New Delhi

K. N. Gutgutia & Co.
Chartered Accountants

CVK & Associates
Chartered Accountants

Ramesh Kapoor & Co.
Chartered Accountants

Chhajed&Doshi
Chartered Accountants

R. Devendra Kumar & Associates
Chartered Accountants

Hem Sandeep & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To
The President of India

Report on the Financial Statements

1. We have audited the accompanying Standalone financial statements of PUNJAB NATIONAL BANK ("the Bank") as at 31st March, 2015, which comprise the Balance Sheet as at March 31, 2015, and Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 20 branches audited by us and 2771 branches audited by branch auditors (including 1 off shore banking unit and 25 other offices) and 3 foreign branches audited by local auditors. The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit and Loss Account are the returns from 3795 branches and 160 other offices of the Bank, which have not been subjected to audit. These unaudited branches and offices account for 7.04 per cent of advances, 27.63 per cent of deposits, 7.43 per cent of interest income and 28.42 per cent of interest expenses.

Management's Responsibility for the Standalone Financial Statements

2. Management of the Bank is responsible for the preparation of these financial statements in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 ("the Act") and to disclose the information as may be necessary to conform to form 'A' and form 'B' respectively of the Third Schedule to the Act, complying with the guidelines issued by the Reserve Bank of India ("RBI") in this matter from time to time and the applicable Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI"). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing ("SA") issued by the ICAI. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedure to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fare view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management of the Bank, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for expressing our audit opinion on these financial statements.

Opinion

6. In our opinion, as shown by the books of the Bank, and to the best of our information and according to the explanations given to us:

i. the Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at 31st March 2015 in conformity with accounting principles generally accepted in India;

ii. the Profit and Loss Account, read with the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and

iii. the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms "A" and "B" respectively of the Third Schedule to the Act,

8. Subject to the limitations of the audit indicated in paragraphs 1 to 5 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, and subject also to the limitations of disclosure required therein, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.

b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and returns;

d) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

e) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit except in certain cases where the returns as certified by the management have been relied upon.

f) In our opinion, the aforesaid standalone financial statements comply with the applicable Accounting Standards.

For and on behalf of **K. N. Gutgutia & Co.** Chartered Accountants FRN 304153E **B R Goyal** Partner M No. 012172	For and on behalf of **CVK & Associates** Chartered Accountants FRN 101745W **A K Pradhan** Partner M No. 032156	For and on behalf of **Ramesh Kapoor& Co.** Chartered Accountants FRN 001477N **Ramesh Kapoor** Partner M No. 080725
For and on behalf of **Chhajed & Doshi** Chartered Accountants FRN 101794W **M P Chhajed** Partner M No. 049357	For and on behalf of **R. Devendra Kumar & Associates** Chartered Accountants FRN 114207W **Neeraj Golas** Partner M No. 074392	For and on behalf of **Hem Sandeep & Co.** Chartered Accountants FRN 009907N **Manish Gupta** Partner M No. 092257

May 08, 2015
Place: New Delhi

PUNJAB NATIONAL BANK
BALANCE SHEET AS ON 31st MARCH, 2015

(₹000 omitted)

CAPITAL & LIABILITIES	Schedule	As on 31.03.15	As on 31.03.14
Capital	1	3709114	3620699
Reserves & Surplus	2	387086090	355332490
Deposits	3	5013786389	4513967466
Borrowings	4	456705459	480344099
Other Liabilities and Provisions	5	172048908	150934399
	TOTAL	**6033335960**	**5504199153**
ASSETS			
Cash & Balances with Reserve Bank of India	6	242249419	222455799
Balances with Banks & Money at call & short notice	7	317092301	229728656
Investments	8	1512823471	1437855016
Advances	9	3805344052	3492691232
Fixed Assets	10	35514756	34197440
Other Assets	11	120311961	87271010
	TOTAL	**6033335960**	**5504199153**
Contingent Liabilities	12	2739453849	2162747790
Bills for Collection		196406219	203259723

Significant Accounting Policies 17
Notes on Accounts 18
The Schedules 1 to 18 form an integral part of the Accounts.

T K BALAMUKUNDAN
ASST. GENERAL MANAGER

J K GUPTA
GENERAL MANAGER

DR. RAM S SANGAPURE
EXECUTIVE DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

Gauri Shankar
GAURI SHANKAR
MANAGING DIRECTOR & C.E.O.

RAJESH AGGARWAL
DIRECTOR

On Leave
B P KANUNGO
DIRECTOR

T C JHALANI
DIRECTOR

DILIP KUMAR SAHA
DIRECTOR

G P KHANDELWAL
DIRECTOR

On Leave
HIROO MIRCHANDANI
DIRECTOR

PREM NARAIN
DIRECTOR

As per our Report of even date

For K N Gutgutia & Co.
Chartered Accountants
(B R Goyal - Partner)
M No. 012172, FRN 304153E

For CVK & Associates
Chartered Accountants
(A K Pradhan - Partner)
M No. 032156, FRN 101745W

For Ramesh Kapoor & Co.
Chartered Accountants
(Ramesh Kapoor - Partner)
M No. 080725, FRN 001477N

For Chhajed & Doshi
Chartered Accountants
(M P Chhajed - Partner)
M No. 049357, FRN 101794W
CHHAJED

For R Devendra Kumar & Associates
Chartered Accountants
(Neeraj Golas - Partner)
M No. 074932 , FRN 114207W

For Hem Sandeep & Co.
Chartered Accountants
(Manish Gupta - Partner)
M No. 092257 , FRN 009907N

Date : 08/05/2015
Place: New Delhi

K. N. GUTGUTIA & CO. KOLKATA 304153 E Chartered Accountants
CVK & ASSOCIATES MUMBAI 101745 W Chartered Accountants
RAMESH KAPOOR & CO. SRINAGAR 001477 N Chartered Accountants
CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants
R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS
HEM SANDEEP & CO. LUCKNOW 009907N Chartered Accountants

PUNJAB NATIONAL BANK

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2015

(₹000 omitted)

	Schedule	Year Ended 31.03.15	Year Ended 31.03.14
I. INCOME			
Interest earned	13	463153627	432232542
Other Income	14	58907319	45767113
TOTAL		**522060946**	**477999655**
II. EXPENDITURE			
Interest expended	15	297597940	270772807
Operating expenses	16	104915477	93382313
Provisions and Contingencies		88931686	80418833
TOTAL		**491445103**	**444573953**
III. PROFIT			
Net Profit for the period		**30615843**	**33425702**
Add: Balance in Profit & Loss A/c		-	-
Profit Available for Appropriation		**30615843**	**33425702**
IV. APPROPRIATIONS			
Transfer to :			
Statutory Reserves		7653960	8356426
Capital Reserves		853997	465831
Revenue & Other Reserves		9376748	18096102
Proposed Dividend		6123169	0
Interim Dividend		0	3620699
Tax on Dividend proposed for the year 2014-15		1253699	615338
Balance Transferred from provision for Tax on Dividend		-29834	-28694
Special reserve as per Income Tax Act		2750000	2300000
Investment Reserve		2634104	
Balance in Profit & Loss Account		0	0
TOTAL		**30615843**	**33425702**
Earning per Share (₹) (Basic/Diluted)		**16.91**	**18.78**

Significant Accounting Policies 17

Notes on Accounts 18

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As per our Report of even date

For K N Gutgutia & Co.
Chartered Accountants

(B R Goyal - Partner)
M No. 012172, FRN 304153E

For CVK & Associates
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(A K Pradhan - Partner)
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(Neeraj Golas - Partner)
M No. 074932, FRN 114207W

For Hem Sandeep & Co.
Chartered Accountants

(Manish Gupta - Partner)
M No. 092257, FRN 009907N

Date : 08/05/2015
Place: New Delhi

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HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

PUNJAB NATIONAL BANK

SCHEDULE 1 - CAPITAL

(₹000 omitted)

	As on 31.03.15	As on 31.03.14
Authorised 15,00,00,00,000 Equity Shares of ₹ 2 each	30000000	30000000
Issued & Subscribed 1,85,45,56,947 (Previous year 36,20,69,926 Equity Shares of ₹10 each) Equity shares of ₹ 2 each	3709114	3620699
Paid Up 1,85,45,56,947 (Previous year 36,20,69,926 Equity Shares of ₹10 each) Equity shares of ₹ 2 each	3709114	3620699
(includes equity shares of 1,11,00,47,912 ₹2 each held by Central Government)		
TOTAL	**3709114**	**3620699**

SCHEDULE 2 - RESERVES & SURPLUS

	As on 31.03.15		As on 31.03.14	
I. Statutory Reserves				
Opening Balance	89016547		80660121	
Addition during the year	7653960		8356426	
		96670507		**89016547**
II. Capital Reserves				
a) **Revaluation Reserve**				
Opening Balance	14081790		14288522	
Deduction during the year (being depreciation on revalued portion of property)	206289		206732	
Transfer to Other Reserves	0		0	
		13875501		**14081790**
b) **Others**				
Opening Balance	11415244		10949413	
Addition during the year	853997		465831	
		12269241		**11415244**
III. Share Premium				
Opening Balance	61415668		56501634	
Addition during the year	8611586		4914034	
Deduction during the year	0		0	
		70027254		**61415668**
IV. Revenue and other Reserves				
a) **Investment Reserve**				
Opening Balance	1071089		1071089	
Add :Transfer from P&L Appropriation A/c	2634104		0	
Less: Transfer to P&L Appropriation A/c	0		0	
		3705193		**1071089**
b) **Exchange Fluctuation Reserve**				
Opening Balance	462770		-24924	
Add :Addition during the year	79501		487694	
Less: Deduction during the year (Net)				
		542271		**462770**
c) **Special Reserve under Sec.36(1) (viii) of Income Tax Act, 1961**				
Opening Balance	9111300		6811300	
Transferred from Other Reserves			2300000	
Addition during the year	2750000	**11861300**		**9111300**
d) **Other Reserve**				
Opening Balance	168758082		152977140	
Addition during the year	9376748		18096103	
Less: Transferred to DTL			2315161	
Add: Transfer from Revaluation Reserves	0		0	
Less: Payment for blocked accounts	7		0	
		178134823		**168758082**
V. Balance in Profit & Loss Account		**0**		**0**
Total of I, II, III, IV,V		**387086090**		**355332490**

K. N. GUTGUTIA & CO. KOLKATA 304153 E Chartered Accountants

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PUNJAB NATIONAL BANK

(₹000 omitted)

SCHEDULE 3 - DEPOSITS

		As on 31.03.15		As on 31.03.14
I. Demand Deposits				
(i) From Banks	32359883		28091902	
(ii) From Others	303448139	**335808022**	286900386	**314992288**
II. Savings Bank Deposits		**1501996610**		**1413728812**
III. Term Deposits				
A. (i) From Banks	429356953		160487916	
(ii) From Others	2746624804	**3175981757**	2624758450	**2785246366**
Total I, II & III		**5013786389**		**4513967466**
B. (i) Deposits of branches in India		4530287032		4184248265
(ii) Deposits of branches outside India		483499357		329719201
TOTAL B (i) & (ii)		**5013786389**		**4513967466**

SCHEDULE 4 - BORROWINGS

			As on 31.03.15		As on 31.03.14
I.	**Borrowings in India**				
(i)	Reserve Bank of India		0		141080000
(ii)	Other Banks		54740468		10735445
(iii)	Other Institutions and Agencies		5373917		8447820
(iv)	**Unsecured Redeemable Bonds**				
a)	Tier-I Bonds (Perpetual Debt Instruments)	35205000		20205000	
b)	Upper Tier-II Bonds	66100000		66100000	
c)	Subordinate debts for Tier II Capital	49998000		29998000	
d)	Long term infrastructure bonds	28000000	**179303000**	0	**116303000**
II.	**Borrowings outside India**		217288074		203777834
	Total of I, II		**456705459**		**480344099**
	Secured Borrowings included in I & II above		0		96580000

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HEM SANDEEP & CO. LUCKNOW Chartered Accountants

PUNJAB NATIONAL BANK

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹000 omitted)

	As on 31.03.15	As on 31.03.14
I. Bills Payable	23390092	24966246
II. Inter-Office adjustments(net)	143746	270758
III. Interest accrued	12871891	11591341
IV. Deferred Tax Liability (Net)	0	0
V. Others (including Provisions)	135643179	114106054
Total of I, II, III, IV, V	**172048908**	**150934399**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

I. **Cash in hand (including foreign currency notes)**	22710604	21249899
II. **Balance with Reserve Bank of India**		
In Current Account	219538815	201205900
In other Account	0	0
Total of I, II	**242249419**	**222455799**

PUNJAB NATIONAL BANK

SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

(₹000 omitted)

		As on 31.03.15		As on 31.03.14
I. In India				
(i) Balances with Banks				
a) In Current Accounts	9310154		7541712	
b) In Other Deposit Accounts	60365823		47828434	
		69675977		**55370146**
(ii) Money at Call and Short Notice				
a) with Banks	0		0	
b) with Other Institutions	0	**0**	0	**0**
TOTAL		**69675977**		**55370146**
II. Outside India				
(i) Balances with Banks				
a) In Current Accounts	14558828		9116904	
b) In Other Deposit Accounts	232857496		165241606	
(ii) Money at Call & Short Notice	0		0	
TOTAL		**247416324**		**174358510**
GRAND TOTAL of I, II		**317092301**		**229728656**

KOLKATA 304153 E

MUMBAI 101745 W

SRINAGAR 001477 N

MUMBAI 101794 W

MUMBAI

LUCKNOW

PUNJAB NATIONAL BANK

SCHEDULE 8 - INVESTMENTS (₹000 omitted)

	As on 31.03.15	As on 31.03.14
I. **Investments in India : Gross**	1492229737	1424837421
Less: Provision for Depreciation	6034377	11889829
Net Investment in India	**1486195360**	**1412947592**
(i) Government Securities	1239537975	1122904116
(ii) Other Approved Securities	1878450	1865336
(iii) Shares	36025868	27542249
(iv) Debentures and Bonds	147972210	181113624
(v) Subsidiaries and/or joint ventures (including sponsored institutions)	6060059	2422803
(vi) Others Various Mutual Funds & Commercial Papers etc.	54720798	77099464
TOTAL of I	**1486195360**	**1412947592**
II. **Investments Outside India : Gross**	26628111	24907549
Less: Provision for depreciation	0	125
Net Investments outside India	**26628111**	**24907424**
(i) Govt. securities including local authorities	0	0
(ii) Subsidiary and / or Joint ventures abroad	14850510	14850510
(iii) Others	11777601	10056914
TOTAL of II	**26628111**	**24907424**
GRAND TOTAL of I, II	**1512823471**	**1437855016**

K. N. GUTGUTIA & CO. KOLKATA 304153-E Chartered Accountants

C V K & ASSOCIATES MUMBAI 101745 W Chartered Accountants

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CHHAJED & DOSHI MUMBAI 101794 W Chartered Accountants

R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS

HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

PUNJAB NATIONAL BANK

SCHEDULE 9 - ADVANCES (₹000 omitted)

	As on 31.03.15	As on 31.03.14
A (i) Bills purchased and discounted	294697909	221920850
(ii) Cash Credits, Overdrafts & Loans repayable on demand	1967503725	1807048292
(iii) Term Loans	1543142418	1463722090
Total	**3805344052**	**3492691232**
B (i) Secured by tangible assets (Includes advances against Book Debts)	3378134452	3077808277
(ii) Covered by Bank/Government guarantees	203379547	186591712
(iii) Unsecured	223830053	228291243
Total	**3805344052**	**3492691232**
C (I) **Advances in India**		
(i) Priority Sector	1382371388	1178351999
(ii) Public Sector	193428281	248717140
(iii) Banks	516763	0
(iv) Others	1704677287	1660871042
Total	**3280993719**	**3087940181**
C(II) **Advances outside India**		
(i) Due from Banks	400216590	294355700
(ii) **Due from Others**		
(a) Bills Purchased & Discounted	4456084	4117236
(b) Syndicated Loan	8195974	8326385
(c) Others	111481685	97951730
Total	**524350333**	**404751051**
GRAND TOTAL (Total of I & II)	**3805344052**	**3492691232**

PUNJAB NATIONAL BANK

SCHEDULE 10 - FIXED ASSETS (₹000 omitted)

		As on 31.03.15		As on 31.03.14
A TANGIBLE ASSETS				
I. Premises				
At cost / valuation as on 31st March of the preceding year	27957749		27415320	
Addition during the period	662472		542429	
	28620221		**27957749**	
Deduction during the period	0		0	
	28620221		**27957749**	
Depreciation to date (Including on revalued amount)	4021804	**24598417**	3724169	**24233580**
II. Other Fixed Assets (Including Furniture & Fixtures)				
At cost as on 31st March of the preceding year	31322636		28764181	
Addition during the period	4250933		3370673	
	35573569		**32134854**	
Deduction during the period	669884		812218	
	34903685		**31322636**	
Depreciation to date	24870953	**10032732**	22154463	**9168173**
III Leased Assets				
At cost as on 31st March of the preceding year	252386		252386	
	252386		**252386**	
Addition/adjustment during the period	0		0	
Deduction during the period	0		0	
	252386		**252386**	
Amortisation / lease adjustment to date	252386	**0**	252386	**0**
Total of I, II, III		**34631149**		**33401753**
B INTANGIBLE ASSETS				
Computer Software				
At cost as on 31st March of the preceding year	2876267		2385424	
Addition during the period	377741		503704	
	3254008		**2889128**	
Deduction during the period	1115		12861	
	3252893		**2876267**	
Amortised to date	2369286		2080580	
Total		**883607**		**795687**
GRAND TOTAL (A+B)		**35514756**		**34197440**

K. N. GUTGUTIA & CO. KOLKATA 304153 E Chartered Accountants

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HEM SANDEEP & CO. LUCKNOW 009907 N Chartered Accountants

PUNJAB NATIONAL BANK

SCHEDULE 11 - OTHER ASSETS (₹000 omitted)

	As on 31.03.15	As on 31.03.14
I. Interest accrued	41762943	41952618
II. Tax paid in advance / tax deducted at source	14332449	8999298
III. Stationery and stamps	93640	89767
IV. Non-banking assets acquired in satisfaction of claims	239762	239764
V. Deferred tax asset (net)	14848503	5548531
VI. Others	49034664	30441032
Total of I, II, III, IV, V, VI	**120311961**	**87271010**

SCHEDULE 12 - CONTINGENT LIABILITIES

	As on 31.03.15	As on 31.03.14
I (i) Claims against the Bank not acknowledged as debts	1883435	1786882
(ii) Disputed income tax and interest tax demands under appeals, references etc.	10562109	8006777
II. Liability for partly paid investments	1530121	115
III. Liability on account of outstanding forward exchange contracts	1864200405	1311706684
IV. Guarantees given on behalf of constituents:		
(a) In India	289516763	281499560
(b) Outside India	149675283	118048218
V. Acceptances, endorsements and other obligations	413621985	436739328
VI. Other items for which the Bank is contingently liable	8463748	4960226
Total of I, II, III, IV, V, VI	**2739453849**	**2162747790**

K. N. GUTGUTIA & CO. KOLKATA 304153 E Chartered Accountants

C V K & ASSOCIATES MUMBAI 101745 W Chartered Accountants

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PUNJAB NATIONAL BANK

SCHEDULE 13 - INTEREST EARNED (₹000 omitted)

		Year Ended 31.03.15	Year Ended 31.03.14
I.	Interest/discount on advances/bills	347943826	323930896
II.	Income on Investments	105999859	102658289
III.	Interest on balances with Reserve Bank of India and other Inter-Bank funds	6322523	3622438
IV.	Others	2887419	2020919
	Total of I, II, III, IV	**463153627**	**432232542**

SCHEDULE 14 - OTHER INCOME

			Year Ended 31.03.15		Year Ended 31.03.14
I.	Commission, Exchange and Brokerage		27448818		25793849
II.	Profit on sale of Investments	11939697		7862342	
	Less: Loss on sale of Investments	1712353	10227344	2368872	5493470
III.	Dividend Income from Units of Mutual Fund/ Income on redemption of Units		3340305		2058098
IV.	Profit on revaluation of Investments	0		0	
	Less: Loss on revaluation of Investments/ Amortisation	0	0	0	0
V.	Profit on sale of land, buildings and other assets	29630		53497	
	Less: Loss on sale of land, buildings and other assets	3450	26180	6615	46882
VI.	Profit on exchange transactions	14056133		13972012	
	Less: Loss on exchange transactions	9074104	4982029	8528019	5443993
VII.	Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures in India & abroad.		350291		284619
VIII.	Miscellaneous Income		12532352		6646202
	Total of I, II, III, IV, V, VI, VII & VIII		**58907319**		**45767113**

PUNJAB NATIONAL BANK

SCHEDULE 15 - INTEREST EXPENDED

(₹000 omitted)

		Year Ended 31.03.15	Year Ended 31.03.14
I.	Interest on Deposits	276213386	252220395
II.	Interest on Reserve Bank of India/ inter-bank borrowings	5669885	7678082
III.	Others	15714669	10874330
	Total of I, II, III	**297597940**	**270772807**

SCHEDULE 16 - OPERATING EXPENSES

			Year Ended 31.03.15		Year Ended 31.03.14
I.	Payments to and Provisions for employees		73369062		65104468
II.	Rent, Taxes and Lighting		5469570		4839121
III.	Printing and Stationery		801261		742842
IV.	Advertisement and Publicity		361747		291186
V.	Depreciation/Amortisation on Bank's property	3908570		3730620	
	Less: Adjusted with Revaluation Reserve	206289		206732	
			3702281		3523888
VI.	Directors' fees, allowances and expenses		12632		15543
VII.	Auditors' fees and expenses		535178		456239
VIII.	Law Charges		431923		363332
IX.	Postage, Telegrams, Telephones, etc.		1228903		1253539
X.	Repairs and Maintenance		1959118		1515137
XI.	Insurance		4532659		4101015
XII.	Other expenditure		12511143		11176003
	Total of I to XII		**104915477**		**93382313**

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SCHEDULE 17 (SOLO – 31.03.2015)

SIGNIFICANT ACCOUNTING POLICIES

1. **BASIS OF PREPARATION:**

The financial statements have been prepared on historical cost basis and conform, in all material aspects, to Generally Accepted Accounting Principles (GAAP) in India encompassing applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), Accounting Standards (AS) and pronouncements issued by The Institute of Chartered Accountants of India (ICAI) and prevailing practices in Banking industry in India.

Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

2. **METHOD OF ACCOUNTING:**

The financial statements have been prepared on going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated.

3. **FIXED ASSETS**

3.1 Fixed assets are stated at historical cost except those premises, which have been revalued. The appreciation on revaluation is credited to revaluation reserve and incremental depreciation attributable to the revalued amount is deducted therefrom.

3.2 a. Depreciation on assets (including land where value is not separable) is provided on straight-line method based on estimated life of the asset.

b. Depreciation on assets has been provided at the rates furnished below:-

Particulars	Rate of Depreciation
Land acquired on perpetual lease where no lease period is mentioned	Nil
Land acquired on lease where lease period is mentioned	Over lease period
Building	
• Constructed on free hold land and on leased land, where lease period is above 40 years	2.50%
• Constructed on leased land where lease period is below 40 years.	Over lease period
Built-up Assets taken over from erstwhile New Bank of India & Nedungadi Bank Ltd	4.00%
Furniture and fixtures- Steel articles	5.00%
Furniture and fixtures-wooden articles	10.00%

Mattresses	20.00%
Mobile Phone Instruments	33.33%
Machinery, electrical and miscellaneous articles	15.00%
Motor cars and cycles	15.00%
Computers, ATMs and related items, **laptop, i pad**	33.33%
Computer Application Software – Intangible Assets	
- Up to Rs. 5,000	Charged to Revenue
- Others	20.00%

c. Depreciation on fresh additions to assets other than bank's own premises is provided from the month in which the assets are put to use and in the case of assets sold/disposed off during the year, up to the month preceding the month in which it is sold/ disposed off.

The depreciation on bank's own premises existing at the close of the year is charged for full year. The construction cost is depreciated only when the building is complete in all respects.

4. ADVANCES

4.1 Advances are classified as performing and non-performing assets; provisions are made in accordance with prudential norms prescribed by RBI.

4.2 Advances are stated net of provisions in respect of non-performing assets.

4.3 Offices outside India / Offshore Banking Units:

a Advances are classified under categories in line with those of Indian offices.

b Provisions in respect of advances are made as per the local law requirements or as per the norms of RBI, whichever is higher.

4.4. Financial Assets sold are recognized as under:

(a) *For Sale of financial assets sold to SCs/RCs*

(i) If the sale to SCs/RCs is **at a price below the Net Book Value (NBV), the short fall should be debited to the Profit & Loss account of that year**. Bank can also use countercyclical / floating provisions for meeting the shortfall on sale of NPAs i.e when the sale is at a price below the NBV. However, for assets sold on or after 26.02.2014 and upto 31.03.2015, as incentive for early sale of NPAs, bank can spread over any shortfall, if the sale value is lower than the NBV, over a period of two years. This facility of spreading over the shortfall will be subject to necessary disclosures in the Notes to Accounts in Annual Financial Statements of the Bank.

(ii) **For assets sold after 26.02.2014 and before 26.02.2014 also, if the sale is for a value higher than the NBV, Bank can reverse the excess provision on sale of NPAs to its profit and loss account in the year, the amounts are received**. However, Bank can reverse excess provision (**when the sale is for a value higher than the NBV**) arising out of sale of NPAs, **only when the cash received (by way of initial consideration and/or redemption of SRs/PTCs) is higher than the NBV of the asset.** Further, reversal of excess provision will be limited to the extent to which cash received exceeds the NBV of the asset.

(b) *For Sale of financial assets sold to Other Banks/NBFCs/FIs etc.*

(i) In case the sale is at a price below the Net Book Value (NBV) i.e. Book Value less provision held, the shortfall should be debited to the Profit & Loss A/c of that year.

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(ii) In case the sale is for a value higher than the Net Book Value (NBV) i.e. Book Value less provision held, the excess provision shall not be reversed but will be utilized to meet the shortfall/loss on account of sale of other NPAs.

4.5 For restructured/rescheduled advances, provisions are made in accordance with guidelines issued by RBI.

5. INVESTMENTS

5.1 Investments are classified into six categories as stipulated in form A of the third schedule to the Banking Regulation Act, 1949.

5.2 Investments have been categorized into "Held to Maturity", "Available for Sale" and "Held for Trading" in terms of RBI guidelines. Securities acquired by the Bank with an intention to hold till maturity are classified under "Held to Maturity".

5.3 The securities acquired by the Bank with an intention to trade by taking advantages of short-term price/ interest rate movements are classified under "Held for Trading".

5.4 The securities, which do not fall within the above two categories, are classified under "Available for Sale".

5.5 Transfer of securities from one category to another is carried out at the lower of acquisition cost/ book value/ market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for.

5.6 In determining acquisition cost of an investment

a. Brokerage / commission received on subscription is deducted from the cost of securities.

b. Brokerage, commission etc. paid in connection with acquisition of securities are treated as revenue expenses.

c. Interest accrued up to the date of acquisition of securities i.e. broken – period interest is excluded from the acquisition cost and the same is accounted in interest accrued but not due account.

5.7 Investments are valued as per RBI/ FIMMDA guidelines, on the following basis:

Held to Maturity

i) Investments under "Held to Maturity "category are carried at acquisition cost. Wherever the book value is higher than the face value/redemption value, the premium is amortized over the remaining period to maturity.

ii) Investments in subsidiaries/joint ventures/associates are valued at carrying cost less diminution, other than temporary, in nature.

iii) Investments in sponsored regional rural banks are valued at carrying cost.

iv) Investment in venture capital is valued at carrying cost.

Available for Sale and Held for Trading

a)	**Govt. Securities** I. Central Govt. Securities	At market prices/YTM as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)
	II. State Govt. Securities	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines.
b)	Securities guaranteed by Central / State Government, PSU Bonds (not in the nature of advances)	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines

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c)	Treasury Bills	At carrying cost
d)	Equity shares	At market price, if quoted, otherwise at break up value of the Shares as per latest Balance Sheet (not more than one year old), otherwise at Re.1 per company
e)	Preference shares	At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per RBI/FIMMDA guidelines.
f)	Bonds and debentures (not in the nature of advances)	At market price, if quoted, or on appropriate yield to maturity basis as per RBI/FIMMDA guidelines.
g)	Units of mutual funds	As per stock exchange quotation, if quoted; at repurchase price/NAV, if unquoted
h)	Commercial Paper	At carrying cost
i)	Certificate of Deposits	At carrying cost.
j)	Security receipts of ARCIL	At net asset value of the asset as declared by ARCIL
k)	Venture Capital Funds	At net asset value (NAV) declared by the VCF
l)	Other Investments	At carrying cost less diminution in value

The above valuation in category of Available for Sale and Held for Trading is done scrip wise and depreciation/appreciation is aggregated for each classification. Net depreciation for each classification, if any, is provided for while net appreciation is ignored.

5.8 Investments are subject to appropriate provisioning/ de-recognition of income, in line with the prudential norms of Reserve Bank of India for NPI classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities.

5.9 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of investments in "Held to Maturity" category, an equivalent amount is appropriated to "Capital Reserve Account".

5.10 Securities repurchased/resold under buy back arrangement are accounted for at original cost.

5.11 The derivatives transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market. As per RBI guidelines, different categories of swaps are valued as under: -

Hedge Swaps

Interest rate swaps which hedge interest bearing asset or liability are accounted for on accrual basis except the swaps designated with an asset or liability that are carried at market value or lower of cost in the financial statement.

Gain or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset/ liabilities.

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Trading Swaps

Trading swap transactions are marked to market with changes recorded in the financial statements.

5.12 **Foreign currency options**

Foreign currency options written by the bank with a back-to-back contract with another bank are not marked to market since there is no market risk.

Premium received is held as a liability and transferred to the Profit and Loss Account on maturity/cancellation.

6. **TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS & BALANCES:**

a) Except advances of erstwhile London branches which are accounted for at the exchange rate prevailing on the date of parking in India, all other monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are translated in Indian Rupee equivalent at the exchange rates prevailing as on the Balance Sheet date as per Foreign Exchange Dealers' Association of India (FEDAI) guidelines.

b) Non-monetary items other than fixed assets are translated at exchange rate prevailing on the date of transaction.

c) Forward exchange contracts are translated as on the Balance Sheet date at the rates notified by FEDAI and the resultant gain/loss on translation is taken to Profit & Loss Account.

d) Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

e) Offices outside India / Offshore Banking Units:

(i) Operations of foreign branches and off shore banking unit are classified as "Non-integral foreign operations" and operations of representative offices abroad are classified as "integral foreign operations".

(ii) Foreign currency transactions of integral foreign operations and non-integral foreign operations are accounted for as prescribed by AS-11.

(iii) Exchange Fluctuation on Profit / loss of non-integral operations is credited /debited to exchange fluctuation reserve.

7. **TAXES ON INCOME**

Current tax is determined on the amount of tax payable in respect of taxable income for the year and accordingly provision for tax is made.

The deferred tax charge or credit is recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. In terms of Accounting Standard 22 issued by ICAI, provision for deferred tax liability is made on the basis of review at each Balance Sheet date and deferred tax assets are recognized only if there is virtual certainty of realization of such assets in future. Deferred tax assets/ liabilities are reviewed at each Balance Sheet date based on developments during the year.

8. **EMPLOYMENT BENEFITS**

- **PROVIDENT FUND**

  Provident fund is a defined contribution scheme as the Bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contributions are charged to Profit & Loss A/c.

- **GRATUITY:**

  Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

- **PENSION:**

  Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

- **COMPENSATED ABSENCES:**

  Accumulating compensated absences such as Privilege Leave (PL) and Sick Leave (including un-availed casual leave) are provided for based on actuarial valuation.

- **OTHER EMPLOYEE BENEFITS:**

  Other Employee Benefits such as Leave Fare Concession (LFC), Silver Jubilee Award, Medical Benefits etc. are provided for based on actuarial valuation.

  In respect of overseas branches and offices, the benefits in respect of employees other than those on deputation are accounted for as per laws prevailing in the respective countries.

9. IMPAIRMENT OF ASSETS

Impairment loss, if any, is recognised in accordance with the accounting standard issued in this regard by ICAI and impairment loss on any revalued asset is treated as a revaluation decrease.

10. REVENUE RECOGNITION

10.1 Income / expenditure (other than items referred to in paragraph 10.4) is generally accounted for on accrual basis.

10.2 Income on non-performing assets is recognized on realisation as per RBI guidelines.

10.3 Recoveries in NPA accounts (irrespective of the mode / status / stage of recovery actions) are appropriated in the following order of priority:-

a) Expenditure/out of pocket expenses incurred for recovery (earlier recorded in memorandum dues);

b) Principal irregularities i.e. NPA outstanding in the account.

c) Towards the interest irregularities/accrued interest.

10.4 Commission (excluding on Government Business), interest on overdue bills, exchange, locker rent, income from merchant banking transactions and dividend income are accounted for on realization and insurance claims are accounted for on settlement.

10.5 Income from interest on refund of income tax is accounted for in the year the order is passed by the concerned authority.

11. OTHERS

11.1 Interest on unpaid and unclaimed matured term deposits is accounted for at savings bank rate.

SCHEDULE 18 (SOLO)

NOTES TO ACCOUNTS

1. Capital

(₹ in Crore)

Sl. No.	Particulars	31.03.2015	31.03.2014
i.	Common equity Tier 1 Capital ratio (%)	8.74	8.55
ii	Tier 1 Capital ratio (%)	9.30	8.87
iii	Tier 2 Capital ratio (%)	2.91	2.65
iv.	Total Capital ratio (CRAR) (%)	12.21	11.52
v.	Percentage of the shareholding of the Government of India in the Bank	59.86%	58.87%
vi.	Amount of equity Capital raised	8.84*	8.60
vii.	Amount of Additional Tier 1 Capital raised; of which PNCPS: PDI:	 1500.00	 NIL
viii	Amount of Tier 2 Capital raised; of which Debt Capital instrument: Preference Share Capital Instruments:[Perpetual Cumulative Preference Shares (PCPS / Redeemable non- Cumulative Preference Shares (RNCPS) /Redeemable Cumulative Preference Shares (RCPS)]	2000.00 NIL	1500.00 1500.00 NIL

*44207317 equity Shares of ₹ 2/- each at premium of ₹ 194.80 per share issued during the year. Capital ₹ 8.84 crores, share premium ₹ 861.16 crore (Total Capital raised during 2014-15 :₹ 870 crore).

2. Investments

(₹ in Crore)

	Particulars	31.03.2015	31.03.2014
(1)	**Value of Investments**		
i	Gross value of Investments	151885.78	144974.50
a	In India	149222.97	142483.74
b	Outside India	2662.81	2490.76
ii	Provisions for Depreciation	603.44	1188.99
a	In India	603.44	1188.98
b	Outside India	0.00	0.01
iii	Net value of Investments	151282.35	143785.51
a	In India	148619.53	141294.76
b	Outside India	2662.82	2490.75
(2)	**Movement of provisions held towards depreciation on investments.**		
i	Opening balance as on 01.04.2014/ 01.04.2013	1189.04	*491.63
ii	Add: Provisions made during the year	0.00	697.51

iii	Less: Write-off/ write-back of excess provisions during the year(Net)	585.60	0.15
iv	Closing balance as on 31.03.2015/31.03.2014	603.44	1188.99

* Figures of the previous period have been regrouped / rearranged / re-classified wherever necessary, to conform to current period's classification.

3. Repo Transactions

(₹.in Crore)

Face Value	Minimum outstanding during the year ended 31.03.2015	Maximum outstanding during the year ended 31.03.2015	Daily Average outstanding during the year ended 31.03.2015	Outstanding as on 31.03.2015
Securities sold under repo				
(i) Government Securities	0.00	9658.00	1937.25	0.00
(ii) Corporate Debt Securities	0.00	0.00	0.00	0.00
Securities purchased under reverse repo				
(i) Government Securities	0.00	11083.25	3289.99	2570.00
(ii) Corporate Debt Securities	0.00	0.00	0.00	0.00

4. Non-SLR Investment Portfolio

4a. Issuer composition of Non SLR investments

(As on 31.03.2015) (₹ in Crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	8174.95 (10404.49)	(NIL) (NIL)	(NIL) (NIL)	1476.17 (2211.23)	(NIL) (NIL)
(ii)	FIs	6153.76 (7430.91)	28.00 (27.90)	(NIL) (NIL)	(NIL) (NIL)	76.62 (76.62)
(iii)	Banks	4794.77 (4783.38)	(NIL) (NIL)	(NIL) (NIL)	(NIL) (NIL)	(NIL) (NIL)
(iv)	Private Corporates	4385.73 (2604.76)	50.00 (50.00)	(NIL) (NIL)	3.07 (2.90)	303.09 (277.55)
(v)	Subsidiaries / Joint Ventures	2091.35 (1727.63)	(NIL) (NIL)	(NIL) (NIL)	(NIL) (NIL)	367.39 (367.39)
(vi)	Others*	2903.70 (871.50)	(NIL) (NIL)	(NIL) (NIL)	1.96 (NIL)	28.21 (3.09)
(vii)	Provisions held towards depreciation.	-354.32 (-510.32)	(NIL) (NIL)	(NIL) (NIL)	(NIL) (NIL)	(NIL) (NIL)
	Total	**28149.94 (27312.34)**	**78.00 (77.90)**	**NIL (NIL)**	**1481.20 (2214.13)**	**775.31 (724.65)**

(Figures in brackets relate to previous year).

*Others include Special Govt. Securities (net of depreciation) of ₹1009.23 crore shown under Govt. Securities in Schedule 8. Amounts reported under columns 4, 5, 6 and 7 above may not be mutually exclusive.

4b Non-performing Non-SLR investments (₹ in Crore)

Particulars	31.03.2015	31.03.2014
Opening balance as on 01.04.2015/ 01.04.2014	144.94	112.84
Additions during the year	165.60	146.29
Reductions during the year	12.78	114.19
Closing balance as on 31.03.2015/ 31.03.2014	297.76	144.94
Total provisions held	250.41	141.69

4c Sale and transfers to / from HTM category

The total value of sales and transfers of securities to / from HTM category during 1st April'14 to 31st March'15 has not exceeded 5% of the book value of investments held in HTM category as on 31.03.2015.

{The 5 percent threshold referred to above will exclude the one- time transfer of securities to/ from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the beginning of the accounting year and sales to the Reserve Bank of India under pre-announced OMO auctions}

As such no disclosure is to be made in terms of extant RBI guidelines.

5. Derivatives

5a Forward Rate Agreement/ Interest Rate Swap (₹ in Crore)

	Particulars	Current Year	Previous year
i	The notional principal of swap agreements	1822.4400##	2322.4400**
ii	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	4.42	30.45
iii	Collateral required by the bank upon entering into swaps	Nil	Nil
iv	Concentration of credit risk arising from the Swaps	Nil	Nil
v	The fair value of the swap book	(-)13.8249	(-)48.6476

##Out of which Rs.47.4400 Crores are Back to Back Deals with Financial Institutions.

****Out of which Rs.647.4400 Crores are Back to Back Deals with Corporate Clients/Financial Institutions.**

5b. Exchange Traded Interest Rate Derivatives (₹.in Crore)

Sl. No.	Particulars	Amount
(i)	Notional Principal amount of exchange traded interest rate derivatives undertaken during the year April, 2014 to March, 2015 (instrument-wise) a) Interest rate futures	356.20
(ii)	Notional Principal amount of exchange traded interest rate derivatives outstanding as on 31st March, 2015 (instrument-wise)	NIL
(iii)	Notional Principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument-wise)	NIL
(iv)	Mark-to-Market value of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument-wise)	NIL

5c. **Disclosure on risk exposure in derivatives**

I - Qualitative Disclosure

1. The bank uses derivatives products for hedging its own balance sheets as well as trading purposes. The risk-management of derivative operation is headed by a senior executive, who reports to the top management, independent of the line functions. Trading positions are marked to market on daily basis.
2. The derivative policy is framed by the Risk Management Division, which includes measurement of credit risk and market risk.
3. The hedge transactions are undertaken for balance sheet management. Proper system for reporting and monitoring of risks is in place.
4. Policy for hedging and processes for monitoring the same is in place.
5. Accounting policy for recording hedge and non-hedge transactions are in place, which includes recognition of income, premiums and discounts. Valuation of outstanding contracts, provisioning, collateral and credit risk mitigation are being done.

II - Quantitative Disclosure

(₹ in Crore)

Sl. No.	Particulars	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
		31.03.2015	31.03.2015	31.03.2014	31.03.2014
1	Derivatives (Notional Principal Amount)				
(a)	For Hedging (Hedge and back to back)	0.00	0.00	-	647.44
(b)	For trading	207.57	1822.44#	-	1675.00
2	Marked to Market Position (1)				
	Hedging			-	
	a) Asset (+)	0.00		-	0.07
	b) Liability (-)	-0.55	-13.82	-	-
	Trading			-	-
	a) Asset (+)			-	-
	b) Liability (-)			-	(48.71)
3	Credit Exposure (2)	0.00	25.66	-	59.31
4	Likely impact of one percentage change in interest rate (100*PV01)			-	-
(a)	On hedging derivatives		0.00	-	-
(b)	On trading derivatives		-0.12	-	18.93
5	Maximum and Minimum of 100*PV01 observed during the period				
(a)	On hedging Maximum		0.00	-	(0.24)
	Minimum		0.00	-	NIL
(b)	On trading Maximum		0.03	-	(0.82)
	Minimum		0.00	-	(0.26)

 # Out of which Rs 47.44 crore are back to back deals with financial institution.

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Asset Quality

6a Non-Performing Asset (₹. in Crore)

	Particulars	31.03.2015	31.03.2014
i.	Net NPAs to Net Advances (%)	4.06%	2.85%
ii)	Movement of NPAs (Gross)		
	Opening balance as on 01.04.2015/ 01.04.2014	18880.06	13465.79
	Additions during the year	16659.56	10809.97
	Reductions during the year	9844.76	5395.70
	Closing balance as on 31.03.2015/31.03.2014	25694.86	18880.06
iii)	Movement of Net NPAs		
	Opening balance as on 01.04.2015/ 01.04.2014	9916.99	7236.50
	Additions during the year	11550.97	7465.26
	Reductions during the year	6071.46	4784.77
	Closing balance as on 31.03.2015/31.03.2014	15396.50	9916.99
iv)	Movement of provision for NPAs (excluding provisions on Standard assets)		
	Opening balance as on 01.04.2014/ 01.04.2013	8737.16	6102.84
	Provisions made during the year (Gross)	9159.91	5365.62
	Write-off/write back of excess provision	8095.31	2731.30
	Closing balance as on 31.03.2015/31.03.2014	9801.76	8737.16

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6b

Disclosure of Restructured Accounts (As on 31.03.2015) as per revisad guidelines

(Rs. in Lacs')

Sl No	Type of Restructuring -> / Asset Classification -> / Details		Under CDR Mechanism					Under MSME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Stand-ard	Doubtful	Loss	Total	Standard	Sub-Stand-ard	Doubtful	Loss	Total	Standard	Sub-Stand-ard	Doubtful	Loss	Total	Standard	Sub-Stand-ard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY 2014-15(Opening figures)*	No. of borrowers	99.00	10.00	2.00	0.00	111.00	463.00	7.00	2.00	0.00	472.00	191.00	0.00	0.00	0.00	191.00	753.00	17.00	4.00	0.00	774.00
		Amount outstanding	1559057.30	103007.66	8116.67	0.00	1670181.63	113622.74	1744.95	389.28	0.00	115756.97	1878067.99	0.00	0.00	0.00	1878067.99	3550748.03	104752.61	8505.95	0.00	3664006.59
		Provision thereon	336133.75	18823.69	395.57	8.08	355352.91	8237.38	165.13	138.53	0.00	8541.04	175897.40	0.00	0.00	0.00	175897.40	520268.53	18988.72	534.10	0.00	539791.35
2	Fresh restructuring during the year (plus addition in o/s in existing a/cs)	No. of borrowers	23.00	4.00	0.00	0.00	27.00	128.00	6.00	0.00	0.00	134.00	162.00	4.00	0.00	0.00	166.00	313.00	14.00	0.00	0.00	327.00
		Amount outstanding	573425.84	48957.82	390.92	0.00	622774.38	72694.21	2817.22	0.00	0.00	75511.43	1066386.09	21339.29	0.00	0.00	1087725.38	1712505.94	73114.33	390.92	0.00	1786011.19
		Provision thereon	111004.04	5423.53	345.20	0.00	116772.77	8701.66	115.49	0.00	0.00	8817.15	137362.05	3110.04	0.00	0.00	140472.09	257067.75	8649.06	345.20	0.00	266062.01
3	Upgradations to restructured standard category during the FY14-15	No. of borrowers	1.00	-1.00	0.08	0.00	0.00	2.00	-1.00	-1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	-2.00	-1.00	0.00	0.00
		Amount outstanding	11109.16	-11109.16	0.00	0.00	0.00	298.52	-135.99	-162.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11407.68	-11245.15	-162.53	0.00	0.00
		Provision thereon	5890.50	-5890.50	0.00	0.00	0.00	51.95	-23.76	-28.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5942.45	-5914.26	-28.19	0.00	0.00
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 14-15 and hence need not be shown restructured standard advances at the beginning of the next FY 15-16	No. of borrowers	14.00	0.00	0.00	0.00	14.00	72.00	0.00	0.00	0.00	72.00	63.00	0.00	0.00	0.00	63.00	149.00	0.00	0.00	0.00	149.00
		Amount outstanding	225434.39	0.00	0.00	0.00	225434.39	18090.62	0.00	0.00	0.00	18090.62	283220.01	0.00	0.00	0.00	283220.01	526745.02	0.00	0.00	0.00	526745.02
		Provision thereon	41688.36	0.00	0.00	0.00	41688.36	955.03	0.00	0.00	0.00	955.03	51767.87	0.00	0.00	0.00	51767.87	94411.26	0.00	0.00	0.00	94411.26
5	Downgradations of restructured accounts during the FY-14-15	No. of borrowers	-27.00	19.00	7.00	1.00	0.00	-84.00	84.00	0.00	0.00	0.00	-32.00	32.00	0.00		0.00	-143.00	135.00	7.00	1.00	0.00
		Amount outstanding	-412339.16	320846.41	89787.08	1705.67	0.00	-28288.38	28288.30	0.00	0.00	0.00	-218292.65	218292.66	0.00	0.00	0.00	-658920.11	567427.35	89787.08	1705.67	0.00
		Provision thereon	-99484.02	80036.81	19051.64	395.57	0.00	-3377.26	3377.28	0.00	0.00	0.00	-41172.73	41172.73	0.00	0.00	0.00	-144034.01	124586.80	19051.64	395.57	0.00
6	Write-offs /Closure/recovery/exit of restructured accounts during the FY14-15	No. of borrowers	2.00	11.00	3.00	0.00	16.00	58.00	85.00	0.00	0.00	143.00	25.00	32.00		0.00	57.00	85.00	128.00	3.00	0.00	216.00
		Amount outstanding	41350.64	155317.39	31053.70	0.00	227721.63	12819.45	27236.64	6.54	0.00	40062.63	203285.72	218292.65	0.00	0.00	421578.37	257455.71	400846.68	31060.24	0.00	689362.63
		Provision thereon	8597.06	36556.91	8473.44	395.67	54022.98	273.50	3472.95	11.11	0.00	3757.56	8120.38	41172.73	0.00	0.00	49293.11	16990.94	81202.59	8484.55	395.67	107073.65
7	Restructured Acounts as on 31.03.2015 of the FY (closing figures)*	No. of borrowers	80.08	21.00	6.00	1.00	108.00	379.00	11.00	1.00	0.00	391.00	233.00	4.00	0.00	0.00	237.00	692.00	36.00	7.00	1.00	736.00
		Amount outstanding	1464468.01	306385.34	67240.97	1705.67	1839799.99	127417.10	5477.84	220.21	0.00	133115.15	2239555.70	21339.29	0.00	0.00	2260994.99	3831540.81	333202.47	67461.18	1705.67	4233910.13
		Provision thereon	303258.85	61338.67	11318.97	0.00	375916.49	12385.20	161.17	99.23	0.00	12645.60	212198.47	3110.04	0.00	0.00	215306.51	527842.52	64609.88	11418.20	0.00	603870.60

*The above information is as compiled and certified by the Management.

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6c Details of financial assets sold to Securitisation/ Reconstruction Company (SC/RC) for Asset Reconstruction

(₹.in Crore)

	Particulars	31.03.2015	31.03.2014
1.	No. of Accounts	2	NIL
2.	Aggregate value (net of provisions) of accounts sold to SC/RC	53.11	NIL
3.	Aggregate consideration	73.15	NIL
4.	Additional consideration realized in respect of accounts transferred in earlier years (During current financial year 2014-15 i.e. from 01.04.2014 to 31.03.2015)	0.12	-37.15
5.	Aggregate gain/loss over net book value(3-2)	20.04	NIL
5.1	Loss over NBV (where sale is for value below NBV)		NIL
5.2	Gain over NBV (where sale is for value above NBV)	20.04	NIL

6d Details of non-performing financial assets purchased/sold

A. Details of non-performing financial assets purchased:

(₹ in Crore)

	Particulars	31.03.2015	31.03.2014
1	(a) No. of accounts purchased during the year	1	NIL
	(b) Aggregate outstanding	62.1775	NIL
2	(a) Of these, number of accounts restructured during the year	NIL	NIL
	(b) Aggregate outstanding	NIL	NIL

B. Details of non-performing financial assets sold to Banks/FIs/NBFCs:

(₹ in Crore)

	Particulars	31.03.2015	31.03.2014
1	No. of accounts sold during the year	NIL	NIL
2	Aggregate outstanding	NIL	NIL
3	Aggregate consideration received	NIL	NIL

6e Provisions on Standard Assets (₹ in Crore)

	Particulars	31.03.2015	31.03.2014
1	Provided during the period	404.88	505.34
2	Cumulative Balance (included under "Other Liabilities & Provisions" in Schedule 5 to the balance sheet)	2790.11	2382.49

7 Business Ratios

	Particulars	31.03.2015	31.03.2014
i.	Interest Income as a percentage to Working Funds	8.00%	8.31%
ii.	Non-Interest Income as a percentage to Working Funds	1.02%	0.88%
iii.	Operating profit as a percentage to Working Funds	2.06%	2.19%
iv.	Return on Assets	0.53%	0.64%
v.	Business (Deposits plus advances) per employee (₹ in Crores)	13.19	12.83
vi.	Profit per employee ((₹ in Crores)	0.05	0.05

Note: Working Funds are based on Monthly Average.

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8. **Asset Liability Management**

Maturity Pattern of certain item of assets and Liabilities

(₹in Crore)

Maturity Pattern	Deposits	Advances	Investments (gross)	Borrowings	Foreign Currency Assets	Foreign currency liabilities
Next day	6679.99	28786.22	0.53	13166.92	3793.94	2932.67
	(5779.40)	(27967.49)	(0.00)	(815.72)	(2300.44)	(1189.73)
2 days-7days	8347.76	6426.60	0.00	5647.06	4174.52	3265.20
	(9298.83)	(7613.36)	(0.00)	(11405.31)	(2854.49)	(4913.36)
8-14 days	7600.41	5486.56	89.81	709.49	2677.31	2678.47
	(7124.60)	(7406.58)	(0.00)	(419.41)	(1093.66)	(1208.82)
15-28 days	9553.63	7478.22	503.80	-462.12	5254.05	5765.96
	(7955.69)	(7808.87)	(518.71)	(1595.83)	(5106.29)	(2677.83)
29 days to 3 months	39335.90	22959.55	4692.44	1134.81	17594.17	23079.05
	(46200.77)	(24228.29)	(4740.50)	(7160.38)	(21513.39)	(21539.71)
Over 3 Months to 6 months	45119.66	22757.46	2035.46	1496.98	25684.69	25197.57
	(34258.24)	(15117.06)	(679.83)	(12010.01)	(15291.26)	(13633.85)
Over 6 Months to 1 year	54568.51	28024.53	2263.08	1876.31	16398.43	12757.93
	(61964.76)	(33052.27)	(7740.42)	(2393.54)	(15475.82)	(17609.25)
Over 1Year to 3 Years	197428.91	190170.93	19715.61	7276.88	11596.30	10335.26
	(183544.23)	(167152.9)	(19238.88)	(2556.13)	(11578.09)	(9479.61)
Over 3 Years to 5 Years	5647.99	31475.60	23377.82	6519.82	2782.94	2530.81
	(4748.83)	(25928.51)	(23357.34)	(4962.22)	(2904.12)	(916.48)
Over 5 Years	127095.88	36968.73	99207.24	8304.40	460.09	2048.53
	(90521.40)	(32993.80)	(88698.82)	(4715.86)	(529.54)	(1831.62)
Total	501378.64	380534.41	151885.78	45670.55	90416.44	90591.45
	(451396.75)	(349269.13)	(144974.50)	(48034.41)	(78647.10)	(75000.26)

(Figures in brackets relate to previous year). The above information is as complied and certified by the Management.

9. Exposures:

9a Exposure to Real Estate Sector : (₹ in Crore)

	Category	31.03.2015	31.03.2014
(A)	**Direct Exposure**		
i.	Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (individual housing loans up to ₹.20 lakh- ₹. 14319.66 crore as on 31.03.2015 and individual housing loans up to ₹.20 lakh- ₹.12618.42 crore as on 31.03.2014.	41603.50	37361.48
ii.	Commercial Real Estate – including NFB Limits Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, industrial or warehouse space, land acquisition, development and construction etc.)	11860.80	12037.31
iii.	Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
(a)	- Residential	0.00	0.07
(b)	- Commercial Real Estate	0.00	0.00
(B)	**Indirect Exposure**		
	- Exposure to National Housing Bank (NHB) & Housing Finance	11427.59	13143.30

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	Companies (HFCs): **31.03.2015** **31.03.2014** 7658.50 9112.50 - Investments made by the Bank in Housing Companies & Corporations: **31.03.2015** **31.03.2014** 3769.09 4030.80		
	Total Exposure to Real Estate Sector	**64891.89**	**62542.16**

9b. Exposure to Capital Market **(₹ in Crore)**

	Particulars	31.03.2015	31.03.2014
1.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	3020.17	2287.06
2.	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs) convertible bonds, convertible debentures, and units of equity oriented mutual funds.	3.67	4.12
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	435.64	101.71
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances.	358.31	370.34
5.	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers.	588.16	336.39
6.	Loans sanctioned to corporate against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	NIL	NIL
7.	Bridge loans to companies against expected equity flows/issues.	NIL	NIL
8.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	NIL	NIL
9.	Financing to stock brokers for margin trading	NIL	NIL
10.	All exposures to Venture Capital funds (both registered and unregistered)	416.28	505.95
11.	Advances to Mutual Funds	1000.00	1100.00
	Total Exposure to Capital Market	5822.23	**4705.57**

9c. Risk Category wise Country Exposure

Total Net Funded Exposure as on 31.03.2015 is ₹. 35047.52 crore. Total assets of the bank as on 31.12.2014 were ₹ **574860.12** crore, 1% of which comes to ₹. 5748.60 crore. Total net funded exposure of two countries namely Hong Kong & UAE amounting to ₹ **10108.46** crore & ₹. **7690.88** crore respectively, is more than 1% of the total assets of the Bank as on 31.12.2014. Total net funded exposure of the bank on Hong Kong & UAE is more than 1% of total assets as on 31.03.2015 also. Hence provision of ₹. 14.38 crore for Hong Kong & 9.23 crore for UAE has been made in terms of RBI Master Cir. No.DBOD.No.BP.BC.12/21.04.048/2011-12 dated July 1, 2011. As per Export Credit Guarantee Corporation of India(ECGC) classification, Hong Kong is in the Insignificant Risk Category i.e. A1 and UAE is in the Low Risk Category i.e. A2.

Risk Category Wise Country Exposure

(₹ in Crore)

Risk Category	Exposure(net) as at March 2015 (Current Year)	Provision held as at March 2015 (Current Year)	Exposure(net) as at March 2014 (Previous Year)	Provision held as at March 2014 (Previous Year)
Insignificant	21747.68	14.38	17250.11	11.04
Low	13290.75	9.23	8597.18	6.12
Moderate	6.78	0	1821.48	NIL
High	0.99	0	12.80	NIL
Very high	0.01	0	0.30	NIL
Restricted	1.16	0	24.28	NIL
Off-credit	0.15	0	0.00	NIL
Total	**35047.52**	**23.61**	**27706.15**	**17.16**

The above information is as complied and certified by the Management.

9d. Details of Single Borrower Limit and Group Borrower Limit exceeded by the bank.

The Bank has not exceeded prudential exposure ceilings in respect of any Group Accounts and individual borrowers during the period 01.04.2014 to 31.03.2015, except exposure ceiling to State Bank of India.

9e. Unsecured Advances:

(₹in Crore)

Particulars	31.03.2015	31.03.2014
1. Total amount of advances for which intangible securities such as charge over the rights, licenses, authority etc. has been included in Sch.9 under 'Unsecured Advances'	5521.58	4541.50
2. Estimated value of intangible collaterals	7323.39	5706.94

10. Disclosure of penalties imposed by the RBI:

During the year (01.04.2014 to 31.03.2015), no penalty has been imposed by RBI on the bank under the provision of Section 46(4) of the Banking Regulation Act, for contraventions of any of the provisions of the Act or non-compliance with any other requirements of the Banking Regulation Act, 1949; order, rule or condition specified by Reserve Bank under the said Act.

Other Disclosures required by Accounting Standards

11. AS -5 Prior Period and Change in Accounting Policy

There were no material prior period income/expenditure items requiring disclosure under AS–5. Amendments have been made in the Policy on Sale of Financial Assets, regarding treatment of loss and profit made on sale of accounts. However the change in the Policy has no impact on profit during the year from 01.04.2014 to 31.03.2015.

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12. **AS- 6 Depreciation accounting**

Break up of total depreciation for the year ending March 2015 for each class of assets

(₹ in Crore)

Class of assets	31.03.2015	31.03.2014
Premises	29.76	10.42
Other fixed assets	271.65	313.82
Leased assets	NIL	NIL
Computer software	28.87	28.15
Total	**330.28**	**352.39**

13. **AS- 9 Revenue Recognition:**

Certain items of income are recognized on realization basis as per Accounting Policy No. 10(4). However, the said income is not considered to be material.

14. **AS 11- Changes in foreign exchange rates:**

Movement of foreign currency translation reserve

(₹ in Crore)

Particulars	Amount
Balance as at 1st April 2014	46.28
Credited during the period 01.04.2014 to 31.03.2015	11.11
Withdrawn during the period	3.16
Balance as at 31.03.2015	54.23

15. AS 15 – Employees Benefits:

ADOPTION OF AS – 15(R):

The Bank has adopted Accounting Standard 15(R) - Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), with effect from 1st April 2007. The Bank recognizes in its books of accounts the liability arising out of Employee Benefits as the sum of the present value of obligation as reduced by fair value of plan assets on the Balance Sheet date.

OPENING OF PENSION OPTION TO EMPLOYEES AND ENHANCEMENT IN GRATUITY LIMITS

During the year 2010-11 the Bank reopened the pension option for such of its employees who had not opted for the pension scheme earlier. As a result of exercise of the option by 33982 employees, the bank has incurred an additional liability of ₹.2757.65 crore. Further during the year 2010-11 the limit of gratuity payable to the employees of the banks was also enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result the gratuity liability of the Bank has increased by ₹.566.00 crore. These additional Liabilities (₹2757.65 crore +₹566.00 crore, total ₹3323.65 crore) were calculated on the basis of actuarial valuation.

As per the Accounting Standard (AS) 15, Employee Benefits, the entire amount of ₹3323.65 crore is required to be charged to the Profit and Loss Account. However, the RBI has issued a circular no. DBOD.BP.BC.80/21.04.018/2010-11 dated 9th February, 2011 on the prudential Regulatory Treatment consequent upon the Re-opening of Pension Option to Employees of Public Sector Banks and Enhancement in Gratuity Limits. In accordance with the provisions of the said Circular, the Bank had charged off ₹.664.73 crore (₹. 551.53 crore for pension and ₹ 113.20 crore for gratuity) representing one-fifth of ₹. 3323.65 Crore to Profit & Loss Account for this year 2014-15 (₹ 2658.92 crore already charged proportionately in previous years i.e. 2010-11 to 2013-14). The transitional liability for pension and Gratuity stands fully charged off as on date.

Further the provision for employee benefits has been calculated by the actuary on basis of pre wage revision salary.

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DISCLOSURE IN ACCORDANCE WITH AS-15(R):

In line with the accounting policy and as per the Accounting Standard – 15(R), the summarized position of post-employment benefits are recognized in the Profit & Loss A/c and Balance Sheet as under:

I - Principal Actuarial Assumptions at the Balance Sheet Date

Actuarial Assumptions	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.03.2014	***31.03.2015***	***31.03.2014***	***31.03.2015***	***31.03.2014***	***31.03.2015***
Discount Rate	9.10%	8.03%	9.10%	8.00%	9.10%	8.00%
Expected Return on Plan Assets	8.61%	8.61%	8.61%	8.61%	-	-
Rate of Escalation In salary	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Attrition Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

II - Changes in Present value of the obligation (PVO)-Reconciliation of Opening & Closing Balance

(₹in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of Obligation, 01.04.2014	15162.79	2609.46	1288.68
Interest Cost	1342.45	222.47	107.82
Current Service Cost	430.46	182.86	41.53
Benefits paid	(821.16)	(329.48)	(207.74)
Actuarial loss / (gain) on obligations (Balancing Figure)	2102.86	(265.48)	78.19
Present value of Obligation, 31.03.2015	**18217.4**	**2419.83**	**1308.47**

III - Changes in the Fair Value of the Plan Assets- Reconciliation of Opening & Closing balances:

(₹in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
FAIR value of Plan Assets, 01.04.2014	14756.02	2756.05	-
Expected return on Plan assets	1335.11	233.46	-
Contributions by Bank, employees	2322.08	240.33	207.74
Benefits Paid	(821.16)	(329.48)	(207.74)
Actuarial (loss) / gain on Plan Assets(Balancing Figure)	(219.04)	(63.96)	-
FAIR value of Plan Assets, 31.03.2015	**17373.01**	**2836.4**	-

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IV - Actual Return on Plan Assets

(₹in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Expected return on Plan Assets	1335.11	233.46	-
Actuarial (loss) / gain on Plan Assets	(219.04)	(63.96)	-
Actual Return on Plan Assets	**1116.07**	**169.50**	-

V - Net Actuarial (Gain) / loss Recognized

(`in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Actuarial gain / (loss) for the period - Obligations	(2102.86)	265.48	(78.19)
Actuarial gain / (loss) for the period - Plan Assets	(219.04)	(63.96)	-
Total (Gain) / Loss for the period	2321.90	(201.52)	78.19
Actuarial (gain) or loss recognised in the period	**2321.90**	**(201.52)**	**78.19**
Unrecognised Actuarial (gain) / loss at the end of the year	0.00	0.00	0.00

VI - Amount recognised in Balance Sheet and related analysis

(`in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of Obligation, 31.03.2015	18217.4	2419.83	1308.47
FAIR value of Plan Assets, 31.03.2015	17373.01	2836.4	0
Difference	844.39	(416.57)	1308.47
Unrecognised Transitional Liability	0	0	0
Unrecognised Past Service cost - vested benefits - Carried Forward	0	0	0
Liability Recognised in the Balance Sheet	**844.39**	**-**	**1308.47**
Negative amount determined under Paragraph 55 of AS-15 (R)	0	(416.57)	0
Present value of available refunds and reductions in future contributions	0	416.57	0
Resulting asset as per Paragraph 59 (b) of AS-15 (R)	0	416.57	0

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VII - Expense recognised in Profit and loss statement

(₹in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Current Service Cost	430.46	182.86	41.53
Interest cost	1342.45	222.47	107.82
Expected return on Plan assets	(1335.11)	(233.46)	0
Net Actuarial (gain) / loss recognised in the year	2321.90	(201.52)	78.19
Past Service Cost-Recognised	551.53	113.20	0
Expenses recognised in the statement of profit and loss	**3311.23**	**83.55**	**227.53**

VIII- Movement in Net Liability to be recognised in Balance Sheet

(₹in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Opening Net Liability	(144.76)	(259.79)	1288.68
Expenses	3311.23	83.55	227.53
Contributions Paid	(2322.08)	(240.33)	(207.74)
Closing Net Liability (Liability recognised in B/S in current period)	**844.39**	**(416.57)**	**1308.47**

IX -Amount for the current Period

(₹in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of Obligation, 31.03.2015	18217.40	2419.83	1308.47
FAIR value of Plan Assets, 31.03.2015	17373.01	2836.4	0
Surplus / (Deficit) before unrecognised past service cost	(844.39)	416.57	(1308.47)
Experience Adjustments in Plan Liabilities -(loss) / Gain	48.45	406.75	(8.65)
Experience Adjustments in Plan Assets (loss) / gain	**(219.04)**	**(63.96)**	**0**

X - Major Categories of Plan Assets (as percentage of Total Plan Assets)

(In %age)

Particulars	PENSION	GRATUITY
Government Of India Securities	12.78	15.45
State Government Securities	36.91	33.21
High Quality Corporate Bonds	35.47	35.60
Equity Shares of listed companies	0.00	0.00
Property	0.00	0.00

Special deposit scheme	6.55	6.69
Funds managed by Insurer	7.37	8.86
Other- Bank Deposits and CDs	0.92	0.19
TOTAL	**100.00**	**100.00**

XI - Best estimate of contribution during next year

(₹in Crore)

Particulars	Pension (Funded)	Gratuity (Funded)
Bank's best estimate of Contribution during next year	2600.00	500.00

XII – Other long term employee benefits

(₹in Crore)

Particulars	Sick Leave & Casual leave (Unfunded)	Leave Fare concession (unfunded)	Silver Jubilee Bonus (unfunded)
Present Value of Obligation	176.26	124.02	11.76
Opening Balance of Transitional Liability	0	0	0
Transitional Liability recognized in the year	0	0	0
Closing Balance Of Transitional Liability	0	0	0
Liability Recognized in balance Sheet	**176.26**	**124.02**	**11.76**

Particulars	Basis of assumption
Discount rate	Discount rate has been determined by reference to market yields on the balance sheet date on Government Bonds of term consistent with estimated term of the obligations as per para 78 of AS15R.
Expected rate of return on plan assets	The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation.
Rate of escalation in salary	The estimates of future salary increases considered in actuarial valuations taking into account inflation, seniority, promotion and other relevant factors mentioned in paras 83-91 of AS15R.
Attrition rate	Attrition rate has been determined by reference to past and expected future experience and includes all types of withdrawals other than death but including those due to disability.

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16. SEGMENT REPORTING FOR THE PERIOD ENDED 31st MARCH 2015

(₹in Lacs)

PART A: BUSINESS SEGMENTS				
Sl. No.		**Particulars**	**YEAR ENDED 31.03.2015**	**YEAR ENDED 31.03.2014**
i.		**Segment Revenue**		
	a)	Treasury	1287749	1156487
	b)	Corporate/Wholesale Banking	2327330	2280260
	c)	Retail Banking	1558965	1298618
	d)	Other Banking Operations	46565	44631
	Total		5220609	4779996
ii.		**Segment Results**		
	a)	Treasury	115605	130238
	b)	Corporate/Wholesale Banking	735052	724758
	c)	Retail Banking	492376	412753
	d)	Other Banking Operations	14707	14186
	Total		1357740	1281935
iii.	Unallocated Expenses		162264	143490
iv.	Operating Profit		1195476	1138445
v.	Provision for Tax		89567	134794
vi.	Extraordinary Items		NIL	NIL
vii.	Net Profit		306158	334257
Other Information:				
viii.		**Segment Assets**		
	a)	Treasury	15358540	14738938
	b)	Corporate/Wholesale Banking	29636192	27042005
	c)	Retail Banking	13692018	11680455
	d)	Other Banking Operations	1138717	1207539
	Sub Total		59825467	54668937
	e)	Unallocated Assets	507893	373055
	Total Assets		60333360	55041992
ix.		**Segment Liabilities**		
	a)	Treasury	14466730	13871663
	b)	Corporate/Wholesale Banking	27915336	25450787
	c)	Retail Banking	12896977	10993149
	d)	Other Banking Operations	1072596	1136485
	Sub Total		56351639	51452084
	e)	Unallocated Liabilities	73769	376
	Total Liabilities		56425408	51452460

Part B – GEOGRAPHIC SEGMENTS

Sl. No	Particulars		Year Ended 31.03.2015	Year Ended 31.03.2014
1.	Revenue			
	a)	Domestic	5086534	4682517
	b)	International	134075	97479
	Total		5220609	4779996
2.	Assets			
	a)	Domestic	52344759	48594534
	b)	International	7988601	6447458
	Total		60333360	55041992

Note:

1. Segment Liabilities are distributed in the ratio of their respective Segment Assets.
2. Figures of the previous period have been re-grouped /re-classified wherever necessary to make them comparable.

17. Disclosure of Related Parties as per AS –18 issued by ICAI

Names of the related parties and their relationship with the Bank:

Key Management Personnel:

i) Shri K. R. Kamath, Chairman & Managing Director (up to 27.10.2014).

ii) Shri Gauri Shankar , Executive Director (Additional charge of Managing Director & CEO w.e.f. 09.02.2015).

iii) Shri K.V.Brahmaji Rao, Executive Director.

iv) Dr .Ram S.Sangapure, Executive Director.

Subsidiaries:

i) PNB Gilts Ltd.

ii) PNB Housing Finance Ltd.

iii) Punjab National Bank (International) Ltd., UK

iv) PNB Investment Services Ltd

v) Druk PNB Bank Ltd, Bhutan.

vi) PNB Insurance Broking Pvt Ltd*.

vii) JSC SB PNB Kazakhstan

Associates:

i) Principal PNB Asset Management Company Pvt. Ltd.

ii) Principal Trustee Company Private Limited

iii) PNB Metlife India Insurance CO Ltd

iv) Madhya Bihar Gramin Bank, Patna.

v) Sarva Haryana Gramin Bank, Rohtak

vi) Himachal Pradesh Gramin Bank, Mandi

vii) Punjab Gramin Bank, Kapurthala

viii) Sarva UP Gramin Bank, Meerut.

*Steps are being taken for winding up of the company as the license has already been surrendered on 14.02.2011.

Note: Assets Care & Reconstructions Enterprise Ltd has ceased to be an Associate of the Bank w.e.f. 09.09.2014, since the share holding of Punjab National Bank has reduced to 15.30% from 30%.

Joint Venture:

i) Everest Bank Limited, Nepal

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Transactions with Related Parties*

(₹ in Lac)

Items/ Related Party	Parent** (as per ownership or control)		Subsidiaries**		Associates/ Joint ventures		Key Management Personnel		Relatives of Key Management Personnel		Total	
	2014-15	Maximum amount outstanding	2014-15	Maximum amount outstanding	2014-15	Maximum amount outstanding	2014-15	Maximum amount outstanding	2014-15	Maximum amount outstanding	2014-15	Maximum amount outstanding
Remuneration	N.A	N.A	N.A	N.A	--	--	100.74	NA	NA	NA	100.74	NA
	N.A	N.A	N.A	N.A	--	--	(121.98)	NA	NA	NA	(121.98)	NA
Borrowings	N.A	N.A	N.A	N.A	--	--	-	-	-	-	-	-
Deposits	N.A	N.A	N.A	N.A	9010.29	_	4.97	21.29	4.83	25.95	9020.09	47.24
	N.A	N.A	N.A	N.A	(2488.04)	(8274.89)	(16.05)	(25.56)	(36.25)	(47.31)	(2540.34)	(8347.76)
Placement of Deposits					-	-	-	-	-	-	-	-
	N.A	N.A	N.A	N.A	(34678.25)	(34678.25)	_	_	_	_	(34678.25)	(34678.25)
Advances					2600.00	–	–	–	36.12.	36.12	2636.12	36.12
	N.A	N.A	N.A	N.A	(879.67)	(4944.50)	_	_	(24.22)	(24.22)	(879.67)	(4944.50)
Investments in share capital					127.83	–	–	–	–	–	127.83	-
	N.A	N.A	N.A	N.A	_	N.A	_	N.A	_	N.A	_	NA
Investments in debentures						–	–	–	–	–		
	N.A	N.A	N.A	N.A	_	NA	_	NA	_	NA	_	NA
Non funded Commitments	N.A	N.A	N.A	N.A	_	_	--	--	--	--	--	--
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements provided	--	--	--	--	--	--	--	--	--	--	--	--
Purchase of fixed assets	--	--	--	--	--	--	--	--	--	--	--	--
Sale of Fixed Assets	--	--	--	--	--	--	--	--	--	--	--	--
Leasing/ HP arrangements availed	--	--	--	--	--	--	--	--	--	--	--	--
Interest paid					510.53	–	–	–	–	–	510.53	-
	N.A	N.A	N.A	N.A	(283.48)	N.A	(0.03)	N.A	--	N.A	(283.51)	N.A
Interest received					–	–	–	–	–	–	–	–
	N.A	N.A	N.A	N.A	(2287.21)	N.A	N.A	N.A	--		(2287.21)	N.A
Receiving of					–	–	–	–	–	–	–	–

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Services	N.A	N.A	N.A	N.A	(114.30)	NA	--	--	--	--	(114.30)	NA
Rendering of Services					–	–	–	–	–	–	–	–
	N.A	N.A	N.A	N.A	–	–	–	–	–	–	–	–
Management contracts					–	–	–	–	–	–	–	–
	N.A	N.A	N.A	N.A	(90.00)	–	–		–	–	(90.00)	NA
Dividend received					11.89	–	–	–	–	–	11.89	-
	N.A	N.A	N.A	N.A	(1933.62)	–	–	–	–	–	(1933.62)	–
Bank Charges					–	–	–	–	–	–	–	–
Commission Received					–	–	–	–	–	–	–	–

*As compiled and certified by the management.

(Figures in brackets relate to previous year)

**The transactions with the subsidiaries and certain associates have not been disclosed in view of para-9 of AS-18 'Related Party Disclosure', which exempts state controlled enterprises from making any disclosures pertaining to their transactions with other related parties, which are also state controlled.

18. Accounting for Leases – AS 19

Financial Leases:

a. Original value of assets acquired on financial lease and included in other fixed assets (including furniture and fixture): ₹.41.65 lacs

The amount of depreciation provided upto 31.03.2015 thereon: ₹.41.65 lacs

The written down value as on 31.03.2015: ₹.1.00

b. Minimum Lease Payment due not later than one year: ₹.1.00

c. Minimum Lease Payment due more than one year but not later than five years: NIL

d. Minimum Lease Payment due later than five years: NIL

e. Operating leases : NIL

19. AS 20 - Earnings Per Share

Sl.No.	Particulars	31.03.2015	31.03.2014
A	EPS - Basic / Diluted (in ₹)	16.91	93.91
B	Amount used as numerator Profit after tax (₹ in '000)	30615843	33425704
C	Nominal value of share	₹2/- each	₹10/- each
D	Weighted average number of equity shares used as the denominator	1810470746*	355946370

* The face value of bank's share was split from Rs.10/- per share to Rs. 2/- per share on 19.12.2014.The number of equity shares given is post split.

20. AS 22- Accounting for taxes on Income

The Bank has recognized deferred tax assets and liability as per accounting policy no. 7. Major components of which are set out below:

(₹ in Crores)

Particulars	As on 31.03.2015	As on 31.03.2014
Deferred Tax Assets		
Provision for Leave encashment	523.04	538.23
Provision for Pension & Gratuity	NIL	NIL
Statutory Liability u/s 43B	0.34	1.10
Provision for wage revision	NIL	NIL
Provision for bad & doubtful debts	1371.29	343.87
Total	**1894.67**	**883.20**
Deferred Tax Liabilities		
Depreciation on fixed assets	4.10	18.66
Deduction u/s 36(1)(viii) of Income Tax Act 1961	405.73	309.70
Total	**409.83**	**328.36**
Deferred Tax Assets (Net)	**1484.84**	**554.85**

The deferred tax assets ₹.930.00 crore is credited to Profit and Loss Account.

21. **AS 23- Accounting for Investments in Associates in Consolidated financial Statements**

Since Investments of the bank in its Associates are participative in nature and the Bank having the power to exercise significant influence on their activities , such Investments are recognized in the Consolidated Financial Statements of the Bank.

22. **AS 24 - Discontinuing Operations**

During the period from 01.04.2014 to 31.03.2015, the bank has not discontinued operations of any of its branches, which resulted in shedding of liability and realization of the assets and no decision has been finalized to discontinue an operation in its entirety which will have the above effect.

23. **AS 25- Interim Financial reporting**

The Bank is adopting the format prescribed by the RBI for the purpose of half yearly review of its accounts as per RBI Circular No. DBS.ARS.No.BC 13/08.91.001/2000-01 dated 17th May 2001.

24. **AS 28 – Impairment of Assets**

A substantial portion of the bank's assets comprise of 'financial assets' to which Accounting Standard 28 'Impairment of Assets' is not applicable. In the opinion of the bank, there is no impairment of its assets (to which the standard applies) to any material extent as at 31.03.2015 requiring recognition in terms of the said standard.

25. **AS-29 Provisions, Contingent Liabilities and Contingent Assets**

i) Movement of provisions for liabilities*

(₹ in Crore)

Particulars	Salary arrears under negotiation	Legal cases/ contingencies
Balance as at 1st April 2014	1020.00	18.21
Provided during the period	630.00	1.81
Amounts used during the period	NIL	NIL
Reversed during the period	356.00	1.97
Balance as at 31.03.2015	1294.00	18.05

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Timing of outflow/uncertainties		

*Excluding provisions for others

ii) Refer Schedule-12 on contingent liabilities

Such liabilities at S.No.(I), (II), (III), (IV), (V) & (VI) are dependent upon the outcome of Court / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, respectively. No liability is expected in such cases.

26. Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account is as follows:

(₹ in Crore)

Particulars	31.03.2015	31.03.2014
Provisions for depreciation on investment (net)	-567.03	782.76
Provision towards NPAs (net)	7979.19	4517.09
Provision towards Standard Assets	404.88	505.34
Provision made towards Income Tax (including Fringe Benefit Tax & Wealth Tax)	895.67	1347.94
Other Provision and Contingencies: **Detail: 31.03.2015 31.03.2014** Standard Restructured 86.24 868.67 Sale to SC/RC NIL NIL Written off & others 74.06 57.25 Sale to Arcil 20.16 -37.17	180.46	888.75
Total	**8893.17**	**8041.88**

27. Break-up of Floating Provisions is as follows :

(₹ in Crore)

Particulars	31.03.2015	31.03.2014
Opening balance as on 01.04.2014/01.04.2013	720.50	1075.36
Quantum of floating provisions made during the year	NIL	NIL
Purpose and amount of draw down made during the year	360.25	354.86
Closing balance as on 31.03.2015/ 31.03.2014	360.25	720.50

28. Draw Down from Reserves:

(₹ in Lacs)

Sr. No.	Reserves	Amount drawn	Purpose
1	Other Reserves	0.069	Payment made during the year ended 31.03.2015 for Blocked Account of Inter Branch Credit entries pertaining to the period upto 31.3.1999.
2	Revaluation reserves	2062.89	Depreciation on revalued portion of property

29. **Disclosure of complaints and unimplemented awards of Banking Ombudsman**

a. Customer Complaints

(a)	No. of complaints pending at the beginning of the year i.e. 01.04.2014	192
(b)	No. of complaints received during the year i.e. 01.04.2014 to 31.03.2015	29759
(c)	No. of complaints redressed during the year i.e 01.04.2014 to 31.03.2015	29778
(d)	No. of complaints pending at the end of March 2015	173*

**All complaints stand since resolved.*

b. Awards passed by the Banking Ombudsman

(a)	No. of unimplemented Awards at the beginning of the year i.e. 01.04.2014	4
(b)	No. of Awards passed by the Banking Ombudsman during the year i.e 01.04.2014 to 31.03.2015	7
(c)	No. of Awards implemented during the year i.e 01.04.2014 to 31.03.2015	10
(d)	No. of unimplemented Awards at the end of March 2015	1*

**Appeal filed with Dy. Governor, RBI.*

30. The Bank has issued a Letter of Comfort to Prudential Regulation Authority (PRA), the regulator in United Kingdom, committing that the bank shall provide financial support to its subsidiary, Punjab National Bank (International) Ltd., UK so that it meets its financial commitments as and when they fall due. However, no financial obligation has arisen out of such arrangement during the financial year ending 31st March 2015.

The detail of Letters of Comfort / Letters of undertaking issued and outstanding as at 31st March, 2015.

(Rs. In Crores)

Letter of Comforts (LOC)/ Letter of Undertaking (LoU) issued during 2014-15	43097
LoC / LoU matured / cancelled during 2014-15	20147
LoC / LoU outstanding as at 31.03.2015	22960*

- The above mentioned LoC / Lou have been issued within the sanctioned Trade Credit Limits and forms an integral part of the contingent liabilities reported in the Bank's Balance Sheet under the Head – Acceptance, Endorsements and other Obligations.

31. **Disclosure in respect of Bancassurance Business undertaken by the bank:**

(₹ in Crore)

Particulars	**31.03.2015**	**31.03.2014**
Details of fees/remuneration received in respect of Bancassurance Business including Mutual Fund Business undertaken by the bank during the year 31.03.2015/31.03.2014		
(i) Life Insurance Business:	59.74	46.28
(ii) Non-life Insurance Business:	21.87	20.30
(iii) Mutual Fund Business	03.62	2.05
TOTAL	**85.23**	**68.63**

32. I. <u>Concentration of Deposits, Advances, Exposures and NPAs:</u>

(a) <u>Concentration of Deposits</u>:

(₹ in Crore)

Particulars	31.03.2015	31.03.2014
Total Deposits of twenty largest depositors	20707.42	23735.90
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	4.13%	5.26%

(b) <u>Concentration of Advances</u>:

(₹ in Crore)

Particulars	31.03.2015	31.03.2014
Total Advances of twenty largest borrowers	57335.91	56283.42
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	15.07%	16.11%

(c) <u>Concentration of Exposures</u>:

(₹ in Crore)

Particulars	31.03.2015	31.03.2014
Total Exposures of twenty largest borrowers/customers	64105.34	66512.10
Percentage of Exposures to twenty largest borrowers/customers to Total Exposures of the bank on borrowers/customers	12.87	14.21

(d) <u>Concentration of NPAs</u>:

(₹ in Crore)

Particulars	31.03.2015	31.03.2014
Total Exposure to top four NPA accounts	2047.53	2688.55

(e) <u>Provisioning Coverage Ratio</u>:

Particulars	31.03.2015	31.03.2014
Provisioning Coverage Ratio	58.21%	59.07%

II. Sector-wise advances:

(₹ in Crore)

Sl. No.	Sector	As on 31.03.2015			As on 31.03.2014		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector

A	**Priority Sector**						
1.	Agriculture and allied activities	56899.49	3114.89	5.47	49148.78	2288.05	4.66
2.	Advances to industries sector eligible as priority sector lending	31834.43	3801.48	11.94	27616.63	1868.67	6.77
3.	Services	24378.84	2480.91	10.18	14101.83	938.33	6.65
4.	Personal loans	28669.97	1215.90	4.24	29594.82	1631.76	5.51
	Sub-total (A)	**141782.74**	**10613.18**	**7.49**	**120462.07**	**6726.82**	**5.58**
B	**Non Priority Sector**						
1.	Agriculture and allied activities	1656.21	30.11	1.82	2987.94	150.88	5.05
2.	Industry	114760.23	9308.50	8.11	92908.68	6815.96	7.34
3.	Services	68406.71	2346.42	3.43	56071.77	1231.46	2.20
4.	Personal loans	65816.27	3396.64	5.16	87215.32	3954.94	4.53
	Sub-total (B)	**250639.41**	**15081.67**	6.02	**239183.71**	**12153.25**	5.08
	Total (A+B)	**392422.15**	**25694.86**	**6.55**	**359645.78**	**18880.06**	**5.25**

III. Movement of NPAs:

(₹ in Crores)

Particulars	31.03.2015	31.03.2014
Gross NPAs as on 01.04.2014/01.04.2013 (opening balance)	18880.06	13465.79
Additions (Fresh NPAs) during the year	16659.56	10809.97
Sub-total (A)	35539.62	24275.76
Less:		
(i) Up gradation	999.62	1429.22
(ii) Recoveries (excluding recoveries made from upgraded accounts)	2925.48	2611.31
(iii) Technical /Prudent Write-offs	5919.66	1355.17
(iv) Write-offs other than those under (iii) above		
Sub-total (B)	9844.76	5395.70
Gross NPAs as on 31.03.2015/31.03.2014 (closing balance) (A-B)	25694.86	18880.06

Detail of Technical write-offs and the recoveries made there on:

(₹ in Crore)

Particulars	As on 31.03.2015	As on 31.03.2014
Opening balance of Technical / Prudential written-off accounts as at April 1, 2014/2013	5349.55	4111.68
Add : Technical / Prudential write-offs during the year	6787.48	1701.35
Sub-total (A)	12137.03	5813.03
Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	990.94	463.48
Closing balance as at 31.03.2015/31.03.2014 (A-B)	11146.09	5349.55

IV. **Overseas Assets, NPAs and Revenue**:

(₹ in Crores)

Particulars	31.03.2015	31.03.2014
Total Assets	79886.01	64474.58
Total NPAs (Gross)	376.81	344.24
Total Revenue	2247.19	1825.64

V. **Off-balance sheet SPVs sponsored by the Bank (which are required to be consolidated as per accounting norms)**

Bank has not sponsored any SPV (Domestic as well as overseas) during the financial year ended 31.3.2015.

33. Reward Points of Credit Card & Debit card

i) PNB Global Credit & Debit Cardholders are rewarded as and when they make purchases through usage of Credit & Debit Card. Reward Points are generated at the time of usage of Credit & Debit Card by Cardholder at Merchant Establishment. Card holder can redeem the accumulated reward points. The amount payable on account of reward points is charged to Profit and Loss account and credited to Sundry Provision Account on daily basis because such amount is quantifiable.

Position of outstanding reward points and provision regarding Credit Cards is as under:

Particulars	As on 31.03.2015	As on 31.03.2014
Balance Reward Points outstanding	107562484	89045841
Provision held for these points (₹ in Lacs)	13865	445.23

ii) **Position of outstanding reward points and provision thereon regarding Loyalty Reward Points-Debit Cards is as under:**

Particulars	As on 31.03.2015	As on 31.03.2014
Balance of loyalty reward points	685567905	542983866
Provision held against reward points (₹ in Lacs)*	247.63	198.58

* The provision held against Loyalty Reward points has been worked at ₹.0.25 for 1 point, which has further been valued at 15% on estimated basis as in the previous year.

34. No SGLs were bounced during the year ended 31.03.2015.

35. Liquidity Coverage Ratio

A. Quantitative Disclosure

		Current year		Previous Year	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)		65452.29		NA

Cash Outflows					
2	Retail deposits and deposits from small business customers of which :	322412.72	24223.32	NA	NA
(i)	Stable deposits	160358.95	8017.95	NA	NA
(ii)	Less stable deposits	162053.77	16205.38	NA	NA
3	Unsecured wholesale funding, of which:	81785.78	64598.41	NA	NA
(i)	Operational deposits (all counterparties)	15.83	3.72	NA	NA
(ii)	Non-operational deposits (all counterparties)	81769.96	64594.68	NA	NA
(iii)	Unsecured debt	0.00	0.00	NA	NA
4	Secured wholesale funding		0.00		
5	Additional requirements, of which	16.91	16.91		
(i)	Outflows related to derivative exposures and other collateral requirements	16.91	16.91	NA	NA
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	NA	NA
(iii)	Credit and liquidity facilities	0.00	0.00	NA	NA
6	Other contractual funding obligations	8386.59	481.52	NA	NA
7	Other contingent funding obligations	141600.61	7080.03	NA	NA
8	**Total Cash Outflows**		96400.19		NA
Cash Inflows					
9	Secured lending (e.g. reverse repos)	8283.79	0.00	NA	NA
10	Inflows from fully performing exposures	43546.72	25628.61	NA	NA
11	Other cash inflows	6293.10	3146.55	NA	NA
12	**Total Cash Inflows**	58123.61	28775.16	NA	NA
			Total Adjusted Value		Total Adjusted Value
13	**TOTAL HQLA**		65452.29		NA
14	Total Net Cash Outflows		67625.03		NA
15	Liquidity Coverage Ratio (%)		**96.79**		NA

** Simple averages of monthly observations over previous quarter (i.e. average over a period of 90 days)*

B. QUALITATIVE DISCLOSURE ON LIQUIDITY COVERAGE RATIO

1. Main drivers of LCR

As at 31.03.2015, against the regulatory requirement of 60% of LCR, the bank is at a comfortable level of quarterly average of 96.79% at whole bank level (including foreign branches).

The main drivers of LCR of the bank are sufficient high quality liquid assets (HQLAs) to meet liquidity needs of the bank at all times and basic funding from retail and small business customers. The retail and small business contributes about 72% of total deposit portfolio of the bank which attracts low run-off factor of 5/10%.

2. Intra period changes as well as changes over time

There has not been any intra period changes in LCR. However, increase in LCR on quarter ended March,2015 was due to shedding of bulk deposits and increase in quarterly inflows from Term loans.

3. Composition of High Quality Liquid Assets (HQLA)

HQLA comprises of high quality unencumbered assets that can be readily converted into cash at little/no loss of value or used as collateral to obtain funds in a range of stress scenarios. HQLAs comprises of Level 1 and Level 2 assets. Level 2 assets is further divided into Level 2A and Level 2B assets, keeping in view their price volatility.

Level-I assets are those assets which are highly liquid. As on 31.03.2015, the Level-I assets of the bank includes Cash in Hand, Excess CRR, Excess SLR, besides MSF & FALLCR totalling Rs. 62829.80 cr.

Level-2A & 2B assets are those assets which are less liquid and their weighted amount comes to Rs. 3460.45 cr.

4. Concentration of Funding Sources

This metric includes those sources of fundings, whose withdrawal could trigger liquidity risks. It aims to address the funding concentration of bank by monitoring its funding requirement from each significant counterparty and each significant product / instrument. As per RBI guidelines, a "significant counterparty/Instrument/product" is defined as a single counterparty/Instrument/product or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the bank's total liabilities.

The bank has no significant counterparty (deposits/borrowings) as at 31.03.2015.The share of largest depositor in bank's total liability is 0.45% whereas the contribution of top 20 depositors is 4.10% only. The significant product / instrument includes Saving Fund, Current deposit, Core Term Deposit, Certificate of deposit and Inter-bank term deposit which are 25%, 5%, 41%, 1% and 2% of bank's total liability respectively, the funding from which are widely spread and cannot create concentration risk for the bank.

5. Derivative exposure

As on 31.03.2015, the back to back swap deals are having negative MTM of Rs. 4.42 cr. while trading swap deals are having negative MTM of Rs. 13.82 cr which is not having significant impact on liquidity management.

6. Currency Mismatch

As per RBI guidelines, a currency is considered as "significant" if the aggregate liabilities denominated in that currency amount to 5 per cent or more of the bank's total liabilities. In our case, only USD falls in this criteria which has insignificant impact on total outflows in LCR horizon.

7. Degree of centralization of liquidity management and interaction between group's units

The group entities are managing liquidity on their own, however the bank has put in place a group-wide contingency funding plan to care of liquidity requirement of group as a whole in the time of stress.

36. Disclosures relating to Securitization

OUTSTANDING AMOUNT OF SECURITISED ASSETS:

Sl.No		Particulars	No/₹. in crore
1.	No of SPVs sponsored by the bank for securitization transactions*		NIL
2.	Total amount of securitized assets as per books of the SPVs sponsored by the bank		NIL
3.	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
	a)	Off-balance sheet exposures	NIL
		First loss	
		Others	

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R. DEVENDRA KUMAR & ASSOCIATES MUMBAI CHARTERED ACCOUNTANTS
HEM SANDEEP & CO. LUCKNOW 009907N Chartered Accountants

	b)	On-balance sheet exposures		NIL
		First loss		
		Others		
4	Amount of exposures to securitization transactions other than MRR			
	a)	Off-balance sheet exposures		NIL
		i)	Exposure to own securitizations	
			First loss	
			Others	
		ii)	Exposure to third party securitizations	
			First loss	
			Others	
	b)	On-balance sheet exposures		NIL
		i)	Exposure to own securitizations	
			First loss	
			Others	
		ii)	Exposure to third party securitizations	
			First loss	
			Others	

*Only the SPVs relating to outstanding securitization transactions may be reported here

37. Credit Default Swaps

Since the Bank is not using any proprietary pricing model for pricing CDS contracts, and it is over the counter contract (OTC), the price is determined by the market dynamics. As such no disclosure is to be made in terms of extant RBI guidelines.

38. Transfers to Depositor Education and Awareness Fund (DEAF):

In compliance to RBI Circular No. DBOD.NO.DEAF.CELL.BC.114/30.01.002/2031-14 dated 27.05.2014, the Bank has transferred the following amount to RBI, as per Depositor Education and Awareness Scheme, 2014.

(₹ in Crore)

Particulars	**As on 31.03.2015**	**As on 31.03.2014**
Opening balance of amounts transferred to DEAF	NIL	-NA-
Add : Amounts transferred to DEAF during the period	424.92	-NA-
Less : Amounts reimbursed by DEAF towards claims	2.86	-NA-
Closing balance of amounts transferred to DEAF as at 31.03.2015*	422.06	-NA-

*Reflected as "Contingent Liability - Others, items for which the bank is contingently liable" under Schedule 12 of the financial statements.

39. Unhedged Foreign Currency Exposure (UFCE):

The Bank has framed a policy to manage currency induced credit risk and has been incorporated in bank's Credit Management & Risk Policy 2014-15 as follows:

"In terms of RBI guidelines on 'Capital and Provisioning Requirements for Exposures to entities with Un-hedged Foreign Currency Exposure', Bank shall monitor the currency wise un-hedged foreign currency exposure in the books of borrowers at quarter ends along-with the Annual EBID. The incremental provision (ranging from 0 to 80 bps on total credit exposure, over and above the standard asset provisioning) and capital requirement will depend on likely loss (due to foreign currency fluctuation) that borrowers may face due to their un-hedged forex exposure in their books. Bank shall maintain separate charge and provisioning requirement on account of such exposures which may impact the cost to the borrowers. Appropriate disclosures in the financial statements of the bank shall also be made."

(₹ in Crore)

Particulars	31.03.2015	31.03.2014
Incremental Provision	44.41	-NA-
Incremental capital held	2092.34	-NA-

40. Intra-Group Exposures

(₹ in Crore)

	Particulars	31.03.2015	31.03.2014
a)	Total amount of intra-group exposures	5160.00	-NA-
b)	Total amount of top-20 intra group exposures*(3 entities.	5160.00	-NA-
c)	Percentage of intra-group exposures to total exposure of the Bank on borrower/customers (As on 31.12.2014)	13.36%	-NA-
d)	Details of breach of limits on intra-group exposures and regulatory action, if any.	NIL	-NA-

*1) PNB Housing Finance Ltd. 2) PNB Guilts Ltd.

41. Other Notes

a. As per RBI guidelines, the Bank has worked out the amount of inter Branch Credit entries outstanding for more than 5 years, pertaining to the period up to 31.03.2010, to be transferred to a Blocked Account. Accordingly, a sum of ₹.117.98 crores (net of adjustments since carried out) has been included under "Other Liabilities-others" in Schedule-5.

Claims of ₹ **0.093** lacs has been received during the period (01.04.2014 to 31.03.2015) against Inter Branch Credit entries, Blocked and transferred to General Reserve. This has been met by transfer from General Reserve ₹ **0.069** lacs and ₹ **0.024** lacs to debit of Profit & Loss Account.

b. Premises include properties amounting to ₹2.99 crore (Net of Depreciation) (previous year ₹4.34 crore) {Cost ₹7.47crores} (previous year ₹8.70 crore) are awaiting registration of title deeds. Premises include capital work in progress of ₹77.24 crore (previous year ₹26.63 crore)

c. Tax Paid in advance/Tax deducted at Source appearing under "Other Assets includes disputed amount adjusted by the department/paid by the Bank in respect tax demands for various assessment years.

No provision is considered necessary in respect of disputed Income Tax and Fringe Benefit Tax demands of Rs. 1056.21 Crore (previous year 800.67 crore) as in the bank's view, duly supported by expert opinion and/or decision in bank's own appeals on same issues, additions / disallowances made are not sustainable. Against these disputed demands, ` 1056.21 crores (previous year `800.67 crore) has been paid.

d. During the year the bank has allotted 44207317 equity shares of ₹2/- each to Government of India at a premium of ₹ 194.80 per share as determined by the Board in terms of the Chapter VII of the SEBI (ICDR) Regulations 2009, as amended from time to time on preferential basis. The total amount received by the bank on this account is ₹.870 crores which includes ₹ 8.84 crores as equity capital and ₹ 861.16 crores as premium. Consequently the Government holding has increased to 59.86 % as against 58.87% before preferential allotment.

e. As per the information compiled by the Management, the guidelines given in Micro, Small and Medium Enterprises Development Act 2006 have been complied with for purchases made during the Financial Year 2014-15 and payments have been made to the Vendors in time as per Act. Since there had been no delay in payment so no penal interest had been paid during FY 2014-15.

42. Figures of the previous year have been regrouped / rearranged / reclassified wherever necessary.

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PUNJAB NATIONAL BANK

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2015

(Rs. ' 000)

Particulars		2014-15	2013-14
A. Cash Flow from Operating Activities			
(I) Net Profit after Tax		**3,06,15,843**	**3,34,25,702**
Add Provision for Tax (net of deferred tax)		89,56,660	1,34,79,383
Profit before tax	(i)	**3,95,72,503**	**4,69,05,085**
(ii) Adjustment for :			
Depreciation on Fixed Assets		39,08,570	37,30,620
Less : Amount drawn from Revaluation Reserve		(2,06,289)	(2,06,732)
Provisions for non performing assets		7,97,91,913	4,51,70,850
Provision on Standard Assets		49,11,219	1,37,40,086
Depreciation/ (Release), Write off, Provision on Investments (net)		(56,70,342)	78,27,594
Other Provisions (net)		10,21,731	6,88,614
Dividend from Subsidiary / Others (Investing Activity)		(3,50,291)	(2,84,619)
Interest on Bonds (Financing Activity)		1,22,42,793	93,94,313
Profit / Loss on sale of Fixed Assets (net)		(26,180)	(46,882)
	(ii)	**9,56,23,124**	**8,00,13,844**
Operating Profit before Changes in Operating Assets and Liabilities	(i+ii)	**13,51,95,627**	**12,69,18,929**
(iii) Adjustment for net change in Operating Assets and Liabilities			
Decrease / (Increase) in Investments		(6,56,60,857)	(14,43,96,456)
Decrease / (Increase) in Advances		(39,60,47,233)	(44,99,03,020)
Decrease / (Increase) in Other Assets		(1,91,48,443)	1,23,96,720
Increase / (Decrease) in Deposits		49,98,18,923	59,83,66,832
Increase / (Decrease) in Borrowings		(8,66,38,639)	7,67,84,853
Increase / (Decrease) in Other Liabilities & Provisions		1,22,57,135	(2,67,82,752)
	(iii)	**(5,54,19,114)**	**6,64,66,177**
Cash generated from Operations	(i+ii+iii)	7,97,76,513	19,33,85,106
Tax Paid (net of refund)		(2,35,89,783)	(1,60,93,908)
Net Cash used in Operating Activities	(A)	**5,61,86,730**	**17,72,91,198**

PUNJAB NATIONAL BANK

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2015

(Rs. ' 000)

	Particulars			2014-15		2013-14
B.	**Cash flow from (used in) Investing Activities**					
	Purchase of Fixed Assets (net of Sales)			(51,99,706)		(43,04,404)
	Dividend recd from Subsidiaries / JV / RRBs			3,50,291		2,84,619
	Investment in Subsidaries / JV / RRBs			(36,37,256)		(23,24,240)
	Net Cash used in investing Activities	(B)		**(84,86,671)**		**(63,44,025)**
C.	**Cash flow from (used in) Financing Activities**					
	Issue of Share Capital (incl. Premium)			86,99,999		49,99,999
	Issued(Redemption) of Bonds (Tier I & Tier II)			6,30,00,000		73,50,000
	Interest paid on Bonds (Tier I & Tier II)			(1,22,42,793)		(93,94,313)
	Payments of Dividends (incl.tax on Dividend)			-		69,27,770
	Net Cash from Financing Activities	(C)		**5,94,57,206**		**98,83,456**
D	**Net Change in Cash and Cash Equivalents**	(A+B+C)		**10,71,57,265**		**18,08,30,629**
	Cash and Cash Equivalents at the beginning of the year					
	Cash and Balances with Reserve Bank of India		22,24,55,799		17,88,62,497	
	Balances with Banks & Money at Call & Short Notice		22,97,28,656	**45,21,84,455**	9,24,91,329	**27,13,53,826**
	Cash and Cash Equivalents at the end of the year					
	Cash and Balances with Reserve Bank of India		24,22,49,419		22,24,55,799	
	Balances with Banks & Money at Call & Short Notice		31,70,92,301	**55,93,41,720**	22,97,28,656	**45,21,84,455**
				10,71,57,265		**18,08,30,629**

Notes :-

1 Direct taxes paid (net of refund) are treated as arising from operating activities and are not bifurcated between investing and financing activities.

2 All figures in minus represents "Cash Out Flow"

T K BALAMUKUNDAN
ASST. GENERAL MANAGER

J K GUPTA
GENERAL MANAGER

DR. RAM S SANGAPURE
EXECUTIVE DIRECTOR

K VEERA BRAHMAJI RAO
EXECUTIVE DIRECTOR

Gauri Shankar

GAURI SHANKAR
MANAGING DIRECTOR & C.E.O.

RAJESH AGGARWAL
DIRECTOR

On Leave
B P KANUNGO
DIRECTOR

T C JHALANI
DIRECTOR

DILIP KUMAR SAHA
DIRECTOR

G R KHANDELWAL
DIRECTOR

On Leave
HIROO MIRCHANDANI
DIRECTOR

PREM NARAIN
DIRECTOR

As per our Report of even date

For K N Gutgutia & Co.
Chartered Accountants

(B R Goyal - Partner)
M No. 012172, FRN 304153E

For CVK & Associates
Chartered Accountants

(A K Pradhan - Partner)
M No. 032156, FRN 101745W

For Ramesh Kapoor & Co.
Chartered Accountants

(Ramesh Kapoor - Partner)
M No. 080725, FRN 001477N

For Chhajed & Doshi
Chartered Accountants

(M P Chhajed - Partner)
M No. 049357, FRN 101794W

For R Devendra Kumar & Associates
Chartered Accountants

(Neeraj Golas - Partner)
M No. 074392 , FRN 114207W

For Hem Sandeep & Co.
Chartered Accountants

(Manish Gupta - Partner)
M No. 092257 , FRN 009907N

Date : 08/05/2015
Place: New Delhi

B R MAHESWARI & CO LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

TO THE BOARD OF DIRECTORS OF
PNB HOUSING FINANCE LIMITED

We have reviewed the accompanying Statement of Unaudited Financial Results of **PNB HOUSING FINANCE LIMITED** ("the Company") for the quarter ended on September 30, 2017 ("the Statement") being submitted by the Company pursuant to Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulation, 2015).

This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'*, issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and an analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards specified in section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with circular number CIR/CFD/FAC/62/2016 dated July 05, 2016 of SEBI including the manner in which it is to be disclosed, or that it contains any material misstatement.

For B. R. MAHESWARI & CO. LLP
Chartered Accountants
Firm Registration No. 001035N/N500050

B R MAHESWARI & CO LLP M-118, Conn Circus New Delhi Chartered Accountants

SUDHIR MAHESHWARI
Partner
Membership No. 081075

Date: October 25, 2017
Place: New Delhi

Gurgaon Office : 312, 3rd Floor, JMD Pacific Square, Sector - 15 Part - II, Gurgaon - 122001
Phone : +91 (124) 4115 445-49

pnb Housing Finance Limited
Ghar Ki Baat

STATEMENT OF STANDALONE UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2017

(₹ in crore)

Particulars	Quarter ended 30.09.2017	Quarter ended 30.06.2017	Quarter ended 30.09.2016	Half Year ended 30.09.2017	Half Year ended 30.09.2016	Year ended 31.03.2017
Income:			(Unaudited)			(Audited)
Revenue from operations	1,315.78	1,192.15	970.17	2,507.93	1,833.02	3,907.70
Other Income	0.07	0.12	0.08	0.19	0.10	0.15
Total Income	**1,315.85**	**1,192.27**	**970.25**	**2,508.12**	**1,833.12**	**3,907.85**
Expenditure:						
Finance Cost	836.07	752.92	684.68	1,588.99	1,292.67	2,643.65
Employee Benefit Expenses	33.08	28.92	26.58	62.00	48.70	101.26
Other Expenses	71.78	74.15	69.68	145.93	122.81	237.39
Depreciation Expense	5.25	5.08	4.56	10.33	9.03	18.63
Provisions and Write-offs	50.28	48.06	(22.51)	98.34	5.47	102.91
Total Expenditure	**996.46**	**909.13**	**762.99**	**1,905.59**	**1,478.68**	**3,103.84**
Profit Before Tax	**319.39**	**283.14**	**207.26**	**602.53**	**354.44**	**804.01**
Tax Expenses	111.40	98.39	69.61	209.79	120.89	280.28
Profit After Tax	**207.99**	**184.75**	**137.65**	**392.74**	**233.55**	**523.73**
Earning Per Share (of ₹10/- each)						
-Basic (₹)	12.49	11.12	10.85	23.60	18.40	36.72
-Diluted (₹)	12.33	10.99	10.64	23.31	18.13	36.15
Paid up Equity Share Capital (Face value of ₹10/- each)	166.59	166.59	126.92	166.59	126.92	165.64
Reserves excluding Revaluation Reserves as at 31st March						5,411.67

Notes:

1. The Company is engaged in the business of providing loans for purchase or construction of residential houses. All other activities of the Company revolve around the main business and accordingly, there are no separate reportable segments as per the Accounting Standard on 'Segment Reporting' (AS 17) issued by the Institute of Chartered Accountants of India.

2. Assets under management (AUM) have increased from ₹ 34,896 crores as on September 30, 2016 to ₹ 51,320 crores as on September 30, 2017 registering a growth of 47%. Loan Assets have increased from ₹ 32,236 crores as on September 30, 2016 to ₹ 48,749 crores as on September 30, 2017 registering a growth of 51%.

3. The Revenue from Operations for half year ended September 30, 2017 include Interest Income of ₹2,319.06 crores (₹1,730.23 crore for half year ended September 30, 2016) and Fees and Other Operating Income of ₹188.87 crores (₹102.79 crore for half year ended September 30, 2016).

4. The Gross NPAs, as on September 30, 2017, of the Company are 0.34% as against 0.26% as on September 30, 2016. Net NPAs of the Company are 0.26% of the Loan Assets as on September 30, 2017, against 0.18% of the Loan Assets as on September 30, 2016.

5. Statement of Assets and Liabilities:

(₹ in crore)

	As at September 30, 2017 (Unaudited)	As at March 31, 2017 (Audited)
EQUITY AND LIABILITIES		
Shareholder's Funds		
Share Capital	166.59	165.64
Reserves and Surplus	5,713.64	5,411.67
	5,880.23	5,577.31
Non-Current Liabilities		
Long-Term Borrowings	30,869.15	24,083.96
Deferred Tax Liabilities (Net)	49.14	46.86
Other Long-Term Liabilities	234.50	103.90
Long-Term Provisions	320.48	242.45
	31,473.27	24,477.17
Current Liabilities		
Short-Term Borrowings	10,511.76	7,947.41
Trade Payables	124.38	93.56
Other Current Liabilities	5,709.67	4,836.06
Short-Term Provisions	40.48	28.04
	16,386.29	12,905.07
TOTAL	**53,739.79**	**42,959.55**
ASSETS		
Non-Current Assets		
Fixed Assets (including Capital Work in Progress)	68.34	60.43
Non-Current Investments	1,103.02	961.35
Loans and Advances	46,258.96	36,443.79
Other Non-Current Assets	360.26	278.43
	47,790.58	37,744.00
Current Assets		
Current Investments	2,173.01	2,318.21
Cash and Cash Equivalents	431.30	151.47
Short-Term Loans and Advances	55.15	39.94
Other Current Assets*	3,289.75	2,705.93
	5,949.21	5,215.55
TOTAL	**53,739.79**	**42,959.55**

*Other Current Assets includes Current maturities of Long-Term Loans and Advances of ₹ 2,490.18 crores (Previous year ₹ 2,087.54 crores).

6. During the Quarter ended September 30, 2017, the Company has granted 4,05,700 Stock Options to its eligible employees under Employee Stock Option Scheme, 2016- Plan B.

7. During the Quarter ended September 30, 2017, the Company paid final dividend at the rate of ₹6 per share.

8. The Company has incorporated a Wholly Owned Subsidiary by the name of PHFL Home Loans and Services Limited with a paid up capital of ₹ 25 Lakhs on August 22, 2017.

9. During the quarter ended September 30, 2017, there were no transactions in the nature of exceptional or extraordinary items.

10. Previous period/year figures have been regrouped or reclassified, wherever necessary, to make them comparable with the current quarter figures.

The Statutory Auditors of the Company have reviewed the financial results for the quarter and half year ended September 30, 2017.

The results for the Quarter and half year ended September 30, 2017 are reviewed and recommended by the Audit Committee of Board and subsequently approved by Board of Directors at the meeting held on October 25, 2017.

For PNB Housing Finance Limited

Sanjaya Gupta
Managing Director
DIN 02939128

October 25, 2017
New Delhi

Kapoor Tandon & Co.
Chartered Accountants
H- 118, 11th Floor, Himalaya House,
23 Kasturba GhandhiMarg,
New Delhi – 110 001

Branches
*24/57, First Floor, Birhana Road,
Kanpur – 208 001
* Flat no. 701, 7th floor, A Wing,
VardhamanVatika-AB CHSL,
Chitalsar, Manpada, G.B.Road,
Thane – 400 607

To,
The Board of Directors,
PNB Gilts Ltd.
5, Sansad Marg,
New Delhi-110001

We have reviewed the accompanying statement of unaudited financial results of PNB Gilts Ltd. for the quarter ended September , 30, 2017. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors in their meeting held on 8th November, 2017. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, 'Review of Interim *Financial Information Performed by the Independent Auditor of the Entity'* issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

For Kapoor Tandon & Co.
Chartered Accountants
(FRN:000952C)

(Devendra Swaroop Mathur)
Partner
Membership No.:082570

Place of signature: New Delhi
Date : 8th November, 2017

E-mail :kapoornarendra@rediffmail.com; ktc.himanshu@gmail.com; ktc_rajesh@yahoo.co.in
Cell Nos.: 9415048222, 9935271516, 9935041434, 9935030768 Tele/Fax : (0512)2361244

PNB GILTS LIMITED

(CIN L74899DL1996PLC077120)
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WEBSITE: www.pnbgilts.com, E-mail :pnbgilts@ndb.vsnl.net.in
Tel: 011-23325759,23325779, Fax: 011-23325751, 23325763

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30th SEPTEMBER, 2017

(₹ in lacs)

PARTICULARS	Figures For 3 Months Ended			Figures for 6 Months ended		Figures for Year ended
	30.09.2017 Unaudited	30.06.2017 Unaudited	30.09.2016 Unaudited	30.09.2017 Unaudited	30.09.2016 Unaudited	31.03.2017 Audited
I.Revenue from Operations						
Income from Operations	11496.91	12291.52	17537.76	23788.43	27335.94	50031.72
IIOther Income	5.11	4.28	6.79	9.39	7.80	22.75
IIITotal Revenue (I+II)	**11502.02**	**12295.80**	**17544.55**	**23797.82**	**27343.74**	**50054.47**
IV Expenses						
(a) Cost of Materials Consumed	NA	NA	NA	NA	NA	NA
(b)Purchases of stock-in-trade	NA	NA	NA	NA	NA	NA
(c)Changes in Inventories of finished goods, work-in-process and stock-in-trade	NA	NA	NA	NA	NA	NA
(d) Interest expense/ Finance Cost	8950.65	7778.66	6427.85	16729.31	12893.31	22571.70
(e)Employees benefits expense	145.33	348.41	127.91	493.74	313.02	580.36
(f)Depreciation & amortization on Fixed Assets	10.88	10.28	7.69	21.16	13.81	33.55
(g)Other expenses	242.90	305.42	286.67	548.32	497.40	1214.75
Total Expenses	9349.76	8442.77	6850.12	17792.53	13717.54	24400.36
V. Profit/(Loss) Before Exceptional & extraordinary Items & Tax (III-IV)	**2152.26**	**3853.03**	**10694.43**	**6005.29**	**13626.20**	**25654.11**
VI. Exceptional Items	-	-	-	-	-	-
VII. Profit/(Loss) Before extraordinary Items & Tax (V-VI)	**2152.26**	**3853.03**	**10694.43**	**6005.29**	**13626.20**	**25654.11**
VIII. Extraordinary Items	-	-	-	-	-	-
IX. Profit/(Loss) Before Tax (VII-VIII)	**2152.26**	**3853.03**	**10694.43**	**6005.29**	**13626.20**	**25654.11**
X. Tax Expense						
(a)Current Tax	**709.95**	1343.33	3678.11	2053.28	4672.71	8951.41
(b)Deferred Tax Adjustment	(3.83)	(1.38)	2.26	(5.21)	2.63	(2.62)
(c)Adjustment for earlier years	-	-				(12.06)
Total Tax Expense	706.12	**1341.95**	**3680.37**	**2048.07**	**4675.34**	**8936.73**
XI. Profit/ (Loss) for the period from Continuing Operations (IX-X)	1446.14	**2511.08**	**7014.06**	**3957.22**	**8950.86**	**16717.38**
XII. Profit/ (Loss) from Discontinuing Operations	-	-	-	-	-	-
XIII. Tax Expenses for Discontinuing Operations	-	-	-	-	-	-
XIV. Profit/ (Loss) for the period from Discontinuing Operations (XII-XIII)	-	-	-	-	-	-
XV. Profit/ (loss) for the period (XI+XIV)	1446.14	**2511.08**	**7014.06**	**3957.22**	**8950.86**	**16717.38**
XVI. Earnings per equity (In Rs.)						
(a)Basic	0.80	1.39	3.90	2.20	4.97	9.29
(b)Diluted	0.80	1.39	3.90	2.20	4.97	9.29

पी एन बी गिल्ट्स लि.
PNB GILTS LTD.
5, SANSAD MARG
N. DELHI
5, संसद मार्ग, नई दिल्ली

SEGMENT RESULTS

(₹ in lacs)

PARTICULARS	Figures For 3 Months Ended			Figures for 6 Months ended		Figures for Year ended
	30.09.2017 Unaudited	30.06.2017 Unaudited	30.09.2016 Unaudited	30.09.2017 Unaudited	30.09.2016 Unaudited	31.03.2017 Audited
Segment Revenue (Net Sales/Income)						
- T Bills/CP/Certificate of Deposit	1205.43	1262.56	3327.75	2467.99	8148.21	11614.62
-Corporate bonds & debentures	1923.58	1879.78	1514.74	3803.36	2545.02	5241.94
-Government Securities	7094.16	7358.37	12050.13	14452.53	15530.11	30502.76
-Derivatives	9.16	190.18	265.42	199.34	596.73	1009.14
-Fixed Deposits	15.03	0.46	40.86	15.49	79.01	79.74
-Mutual fund commission	-	-	-	-	0.01	0.01
-Mutual Fund Units	1051.52	1436.46	261.88	2487.98	306.60	1229.71
-Unallocated (including equity shares)	203.14	167.99	83.77	371.13	138.05	376.55
Total :	11502.02	12295.80	17544.55	23797.82	27343.74	50054.47
Less: Inter Segment Revenue	-	-	-	-	-	-
Net Sales/Income from Operations	**11502.02**	**12295.80**	**17544.55**	**23797.82**	**27343.74**	**50054.47**
Segment Results (Profit before Tax)						
- T Bills/CP/Certificate of Deposit	368.62	(81.04)	804.41	287.58	2050.93	3287.76
-Corporate bonds & debentures	(104.85)	1561.33	736.37	1456.48	1161.89	2268.59
-Government Securities	1702.91	2555.84	9145.72	4258.75	10544.23	20499.84
-Derivatives	(100.78)	42.99	56.91	(57.79)	145.16	218.99
-Fixed Deposits	15.03	0.46	40.86	15.49	79.01	79.74
-Mutual fund commission	-	-	-	-	0.01	0.01
-Mutual Fund Units	419.48	200.31	115.76	619.79	129.08	431.36
-Unallocated (including equity shares)	76.49	78.94	32.32	155.43	53.77	109.36
Total :	2376.90	4358.83	10932.35	6735.73	14164.09	26895.66
Less: Interest	-	-	-		-	-
Less: Unallocable expenses	224.64	505.80	237.91	730.44	537.89	1241.55
Total Profit/(Loss) before Tax	**2152.26**	**3853.03**	**10694.44**	**6005.29**	**13626.20**	**25654.11**
Segment Assets						
- T Bills/CP/Certificate of Deposit	102156.30	95963.16	120133.32	102156.30	120133.32	36707.12
-Corporate bonds & debentures	106486.70	106083.29	65438.94	106486.70	65438.94	80962.81
-Government Securities	376568.87	516002.55	216315.48	376568.87	216315.48	283884.42
-Derivatives	7661.29	7536.08	12543.27	7661.29	12543.27	12697.69
-Fixed Deposits	5503.39	27.27	13.17	5503.39	13.17	26.81
-Mutual fund commission	-	-	-	-	-	-
-Mutual fund Units	31106.12	13244.58	17694.40	31106.12	17694.40	26848.92
-Unallocated (including equity shares)	511.58	557.31	416.98	511.58	416.98	209.48
Total Segment Assets	**629994.25**	**739414.24**	**432555.56**	**629994.25**	**432555.56**	**441337.25**
Segment Liabilities						
- T Bills/CP/Certificate of Deposit	88580.29	84733.65	96819.49	88580.29	96819.49	29078.23
-Corporate bonds & debentures	92271.29	93518.01	52729.46	92271.29	52729.46	64076.62
-Government Securities	326316.01	455012.79	174303.89	326316.01	174303.89	224672.06
-Derivatives	7488.31	7495.19	12369.73	7488.31	12369.73	12423.37
-Fixed Deposits	-	-	-	-	-	-
-Mutual fund commission	-	-	-	-	-	-
-Mutual Fund Units	26965.89	11725.11	14256.81	26965.89	14256.81	21248.42
-Unallocated (including equity shares)	0.15	-	0.03	0.15	0.03	2.85
Total Segment Liabilities	**541621.95**	**652484.75**	**350479.41**	**541621.95**	**350479.41**	**351501.55**
Capital Employed (Segment Assets-Segment Liabilities)						
- T Bills/CP/Certificate of Deposit	13576.01	11229.50	23313.83	13576.01	23313.83	7628.89

-Corporate bonds & debentures	14215.41	12565.28	12709.48	14215.41	12709.48	16886.19
-Government Securities	50252.86	60989.76	42011.59	50252.86	42011.59	59212.36
-Derivatives	172.98	40.90	173.54	172.98	173.54	274.32
-Fixed Deposits	5503.39	27.27	13.17	5503.39	13.17	26.81
-Mutual fund commission	-	-	-	-	-	-
-Mutual fund Units	4140.23	1519.47	3437.59	4140.23	3437.59	5600.50
-Unallocated (including equity shares)	511.43	557.31	416.95	511.43	416.95	206.63
Total	**88372.31**	**86929.49**	**82076.15**	**88372.31**	**82076.15**	**89835.70**

Notes :

1. The above results have been reviewed by the Audit committee and approved by the Board in their meetings held on November 8, 2017. The same have been subjected to a limited review by the statutory auditors.

2. The accounting policies followed in the preparation of annual financial statements for the year ended 31st March, 2017 have been followed consistently for the quarter/half year ended 30th September, 2017 as well.

3. Figures of the previous period have been regrouped/rearranged/reclassified, wherever considered necessary in order to make them comparable with those of the current period.

4. Position of complaints from investors as on 30th September, 2017 is given below:

a) Complaints pending at the beginning of the current quarter NIL
b) Complaints received during the quarter 5
c) Complaints disposed off during the quarter 5
d) Complaints pending as on 30.09.2017 (all since redressed) NIL

Statements of Assets & liabilities as on 30.09.2017 is as under :

(₹ in lacs)

Particulars	Unaudited Figures	Audited Figures
	30.09.2017	**31.03.2017**
EQUITY AND LIABILITIES		
Shareholders Fund		
(a)Share Capital	18001.01	18001.01
(b)Reserves & Surplus	70424.81	71883.99
(c)Money received against Share warrants		-
Shareholders Fund	88425.82	89885.00
Share Application Money Pending Allotment		-
Minority Interest		-
Non-current Liabilities		
(a)Long term borrowings		-
(b)Deferred tax liabilities (net)		-
(c)Other long term liabilities		-
(d)Long term provisions	112.44	104.93
Non Current liabilities	112.44	104.93
Current Liabilities		
(a)Short term borrowings	541302.89	351392.95
(b)Trade payables	74.47	42.28
(c)Other current liabilities	268.59	169.20
(d)Short term provisions	17195.59	14956.41

Current Liabilities	558841.54	366560.84
TOTAL EQUITY AND LIABILITIES	**647379.80**	**456550.77**
ASSETS		
Non current Assets		
(a)Fixed assets	284.47	301.40
(b)Goodwill on consolidation	-	-
(c)Non current investments	74207.15	44254.41
(d)Deferred tax assets (net)	52.22	47.01
(e)Long term loans and advances	1418.77	1506.40
(f)Other non current assets	-	-
Non current assets	75962.61	46109.22
Current Assets		
(a)Current investments	-	-
(b)Inventories	538584.82	388535.20
(c)Trade Receivables	-	-
(d)Cash & Cash equivalents	5671.34	93.95
(e)Short term loans and advances	110.41	32.82
(f)Other current assets	27050.62	21779.58
Current assets	571417.19	410441.55
TOTAL ASSETS	**647379.80**	**456550.77**

For and on behalf of Board

(S.K.Dubey)
Managing Director

Date : November 8, 2017
Place : New Delhi

DECLARATION

The Bank certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the SEBI ICDR Regulations and subject to the provisions of the Banking Laws have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of the same and that all approvals and permissions required to carry on its business have been obtained, are currently valid and have been complied with. The Bank further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by:

Name: Mr. Sunil Mehta	**Name**: Pramod Kumar Sharma
Designation: Managing Director and Chief Executive Officer	**Designation**: Chief Financial Officer

Date : December 11, 2017
Place : New Delhi

HEAD OFFICE OF THE BANK

Punjab National Bank
Plot No.4, Sector 10, Dwarka, New Delhi 110 075

BOOK RUNNING LEAD MANAGERS

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PNB Investment Services Limited*
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Fax: +91 22 2653 2687
Website: www.pnbisl.com
E-mail: pnbisl.qip@pnbisl.com

**PNB Investment Services Limited shall be involved only in marketing of the Issue in compliance with Regulation 21A of the SEBI Merchant Bankers Regulations.*

LEGAL ADVISOR TO THE BANK

As to Indian law
Shardul Amarchand Mangaldas & Co.
Amarchand Towers, 216
Okhla Phase III
New Delhi 110 020

LEGAL ADVISORS TO THE BOOK RUNNING LEAD MANAGERS

As to Indian law
S&R Associates
64 Okhla Industrial Estate Phase III
New Delhi 110 020

As to U.S. law
Baker & McKenzie.Wong & Leow
8 Marina Boulevard
#05-01 Marina Bay Financial Centre, Tower 1
Singapore 018981

CURRENT STATUTORY AUDITORS OF THE BANK

Chhajed & Doshi, Chartered Accountants;
R Devendra Kumar & Associates, Chartered Accountants;
Hem Sandeep & Co., Chartered Accountants;
Suri & Co., Chartered Accountants; and
SPMG & Co., Chartered Accountants